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ABSTRACT

This course in consumer economics for high school students is organized around a semester-long simulation in which students assume the responsibilities of young adults in making decisions related to the economics of work and domestic life. During the simulation, the students: (1) set individual goals; (2) choose occupations based on their goals and talents; (3) pair up with a simulated spouse or roommate; (4) begin the process of jointly negotiating how household income will be allocated taking into account their partner's needs and desires; (5) use credit and cash to make purchases for one year related to housing, utilities, furnishings, transportation, insurance, savings, charity, food, clothing, and miscellaneous expenses; and (6) plan a second year's budget taking into account a dependent who has come to stay. Following the simulation, students prepare time capsules with letters to themselves containing advice for the future. The course guide is organized into sequential units of study which include student objectives, teacher preparation materials, time frames, and step-by-step instructions for teaching the unit. Suggestions are also provided for lectures and discussions on larger economic issues in relation to each stage of the simulation. Reproducible student handouts which are used in the course are appended. (DC)

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BASIC ECONOMICS FOR CONSUMERS:
Living Tomorrow Today

ED237443

BANK-ED® III

Personal Money Management Series

BANK-ED I — Intermediate Level
Money, its Responsibilities and Record-keeping

BANK-ED II — Junior High Level
Savings, Setting Goals and Creating Income with a Part-time Job

★ BANK-ED III — Senior High Level
Credit, Simulated Real Life Financial Situations

BANK-ED III
Created by E.T.S. & Associates
Based on a National Award Winning Program Developed by Dr. L. Arthur Womer Jr.
Instructional Design Coordinated by Creative Learning Systems, Inc.
Art Production by Karl Nicholason

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BASIC ECONOMICS FOR CONSUMERS:
Living Tomorrow Today

A complete guide to teaching a simulation-based course that motivates high school students to plan their financial futures

based on an award-winning program developed by
Dr. L. Arthur Womer, Jr.

instructional and graphic design coordination by
Creative Learning Systems, Inc.
Francine Foster, editor and writer
James Durkin, simulation developer
Belle Heneberger, writer

cover design and illustrations by
Karl Nicholason

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BANK-ED

NATIONAL AWARD-WINNING PROGRAM

This program is based on a project that earned first place in the National Awards Program for Teaching Economics which is administered by the Joint Council on Economic Education through a grant made by the International Paper Company Foundation.

Special thanks to Roger Scott Frantz, Ph.D., Department of Economics, San Diego State University, for reviewing the manuscript and providing editorial assistance with regard to economic concepts and principles.

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Introduction

Distinguished and Easy To Teach

This program is based on an instructional format conceived of and piloted by Dr. L. Arthur Womer, a teacher in the Huntington Beach Union High School District in California. His innovative achievements in teaching economics to senior-high students have earned indications of national distinction, including a first place award in the National Awards Program for Teaching Economics which is administered by the Joint Council on Economic Education.

The original course design has been modified so that now it may easily be taught even by a teacher who does not have formal training in the field of economics. Following the guidelines in this book, any teacher should be able to present a basic course in consumer economics that will be readily accepted and understood by high-school students.

How the Course Is Organized

For most students **Living Tomorrow Today** will be one of the most important, interesting, and informative courses that they will ever take. Not only will they study basic consumer economics, but they will have the rare opportunity to participate in a long-term simulation that allows them to role-play themselves at a future time.

They will assume the responsibilities of young adults as they make their plans for work and domestic achievements. They will investigate, plan, make trade-offs, and budget in a context that closely resembles a real-life situation but allows for experimentation and error without dire consequences.

The simulation proceeds through a life-like sequence of activities. At the outset your students clarify their values and set individual goals. Then they choose occupations that seem likely to utilize their talents and help them achieve their goals. These occupational choices give them their "first-career-year incomes," the money that they can assume they have available for "spending" during the simulation.

But they do not plan their expenditures as individuals. Instead, as is often the case in real life, they pair up—with either a simulated spouse or a roommate—to begin the ongoing process of jointly negotiating how household income will be allocated. These simulated marriages are not merely "fun" situations for students (although they do produce intense involvement). They serve to highlight personal strengths and weaknesses. And they furnish arenas for developing social skills such as empathizing with another person's values and feelings, communicating openly about conflicting needs, and negotiating workable compromises that ensure the healthy continuity of a social unit.

The preponderance of the simulation activities after this point are concerned with budgeting household income to enable each couple to satisfy as many needs and desires as possible within their means. Armed with information about credit as well as cash buying, they plan

their purchases within the categories of Housing, Utilities, Furnishings, Transportation, Insurance, Savings, Charity, Food, Clothing, and Misc. Expenses. At each step along the way, they cycle through the decision-making process of setting goals, gathering facts, listing alternatives, and making cost/benefit trade-offs in order to achieve rational choices.

When they have a year's worth of income neatly allocated in all their budget categories, they begin a second "year" of the simulation with something new to take into account—a dependent who has "dropped in to stay." Some of the things they thought they couldn't live without will have to go as they attempt to cover the new costs of dependent care. This experience provides valuable lessons not only in which values take precedence over others but also in how to analyze a budget to find its most flexible areas, where changes can most easily be made to cope with the unexpected.

Their skills in coping with the unexpected are further challenged during a lesson where the students draw fate cards that simulate positive or negative events in their lives. They must imagine the financial consequences of those events and state how they will respond in economic terms.

At the conclusion of the course, the students look back on the ways that the program has prepared them for their future roles as Producers, Consumers, Saver/Investors, and Citizens in the American economy. They then prepare Living Tomorrow Today Time Capsules with letters to themselves containing advice about how to conduct their future affairs. Someday, thanks to your relevant teachings, they will open those capsules and live tomorrow with the benefit of trained foresight.

Using the Course Guide

The Course Guide is organized into sequential units of study. At the beginning of each unit an introductory page lists Student Objectives for the unit, the necessary steps in Teacher Preparation (very little is required), and a Time Frame giving the recommended number of class periods to spend on the unit. The remaining pages provide step-by-step instructions for teaching the unit.

Throughout the course guide there are also suggestions for lectures and discussions that deal with the larger economic picture in relation to each stage of the simulation. The "Bigger Picture" topics that are covered are:

Introduction to the Effects of Supply & Demand on Prices
A Basic Overview [of An Economic System]
The Circular Flow of Economic Activity
Your Role as Producer in Our Society
Domestic Law—The Economic Rights and Responsibilities of Marriage Partners
What Your Taxes Pay For
You Have to Buy Insurance from Uncle Sam First
Supply & Demand in the Real Estate Market
Lease & Rental Agreements
Limited Resources of Energy
Licensed Monopolies
The Supply of Money
Cost and Price Increases in the

Auto Industry
Consumer Rights and Redress
The Role of Saver/Investor in Our Economy
Supply, Demand, and the Cost of Eating
Diminishing Marginal Utility
Components of Clothing Costs
Overview of the American Economy

Depending on the nature of your own students—their abilities and interests—you can deal with these larger economic pictures more or less extensively. The suggestions in the course guide may be supplemented by assigned readings, independent and group research projects, and audio-visual presentations. Students who are very highly motivated should be encouraged to pursue college courses in economics in the future.

Opportunities are also provided periodically for your students to learn and practice some communication skills useful in joint decision-making. These include paraphrasing and assertive-communication techniques such as self-disclosure, broken record, owning up, and workable compromise. Be forewarned that neglecting these lessons could be hazardous to the course as a whole—your classroom could rapidly deteriorate from a productive learning laboratory to a clamoring divorce court!

Certain typographical features are applied consistently throughout the Guide. The names of resource materials, such as student worksheets, appear in **boldface** type. The illustrations that are interspersed also serve as cues to refer to certain resources. Teaching scripts appear in *italic* type. A box (■) signals the start of each new instructional activity.

Scheduling Considerations

An instructional planning form is furnished on the back of the introductory page for each teaching unit. By doing your planning a unit or so ahead of your actual teaching, you should be able to schedule activities without any logistical problems.

The time frame of the program is based on a 90-day school semester. Assuming that some of those days are lost to instruction because of fire drills, assembly programs, flu epidemics, standardized testing, and the like, the maximum number of teaching periods provided for is 84. This number can be reduced to around 64 periods if most student written work is done outside of class time. In other words, there is considerable flexibility. If you find that you are only half way through the course guide and more than half way through the semester, you can step up the number of homework assignments.

Tests & Quizzes

The Tests & Quizzes section of this book contains an answer key for the Pre-/Post-Test. It also lists essay questions that may be incorporated into quizzes or mid-term and final exams.

Evaluation practices differ so much from school to school that no explicit guidelines for grading are given here. Appraisals of student performance may be based on attendance, class participation, notebook contents, individual and group research reports,

and written examinations. The most meaningful evidence of student learning is likely to come after the course is over, however, when students apply their new skills in their "real" lives.

The Reproducibles

Reproducibles are stored in the back-cover flap. As they are they can serve as xerographic masters, or they can be thermographically converted into spirit masters. Several worksheets are distributed to the class more than once. See the Teacher Preparation guidelines at the start of each unit for a listing of what to have reproduced for that unit.

What Can You Expect?

Economics is the social study of how people attempt to make the best uses of their resources to relieve the greatest number of their wants. Your students will come into your classroom for this study with a variety of attitudes and apprehensions. Even the term "economics" may strike terror into the hearts of some. The design of this program will enable them to sneak up on the tougher economic concepts—to learn them almost accidentally in the course of pursuing activities that they find both intriguing and practical.

The course is so designed to give even the timid and the rebellious opportunities to acquire economic literacy. Economic literacy implies more than a knowledge of topics that are of immediate practical value to the individual consumer. It also embraces a knowledge of the forces which shape our economy, and an ability to see in any problem situation various ways of coping with it—and the possible advantages and limitations of each.

On completion of this course, your students should be better able to understand the economic forces which will influence their lives when they achieve economic independence. They should be more aware of their rights and responsibilities as consumers in the American economic system and know better how to utilize them to strengthen the sovereignty of the consumer.

Curricular Flexibility

Even though this program may be taught as a complete one-semester course in consumer economics, there is considerable curricular flexibility built into its design. This notebook contains an array of **supplemental materials** that can easily be used to enrich existing programs in economics, social studies, and home economics. By eliminating the comprehensive budgeting activities, you can teach any one or more of the units in conjunction with another course plan. For example, activities from the "Transport Yourself" unit might be used to supplement social studies lessons dealing with the energy crisis. Or the unit on buying clothing—"Can You Wear Jeans To Work?"—might be incorporated into classwork in home economics. And the looseleaf format of the guide makes it convenient not only for you to take out sections that you're not going to use, but also for you to add your own materials.

Getting Started

Student Objectives

Upon completion of this unit, the student should be able to:

- state the benefits to be derived from instructional simulations
- make choices between valued alternatives
- explain the relationships between supply and demand and the cost of goods and services
- define and use correctly the following economic terms: *insatiable wants, scarcity, supply, demand, competitive equilibrium*

Teacher Preparation

Reproduce sufficient copies of the following for distribution to all students: *Living Tomorrow Today Course Overview, Notebook Table of Contents, Pre-Post-test, Lifestyle Popularity Poll, Lifestyle Bill of Fare, Record of Money Transactions.*

- Prepare consecutively numbered slips of paper to pass around the classroom ("deli" numbers to determine order of student participation in simulation game).

Time Frame

Approximately 3-4 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Value-based Trade-offs

Life has many good things to offer, and like a child in a candy shop, we want it all. To a child the choice is easy: "I'll take some of that and some of those and some of them and . . ."

But given a few coins to purchase some candy, the child is faced with a dilemma. A decision-making process is underway that requires making trade-offs—choosing between numerous options that moments before seemed equally desirable.

The process of making choices among valued alternatives continues throughout our lifetimes. These choices are often difficult. Sometimes they are hastily made, without sufficient consideration of possible consequences.

Obviously, as life becomes more and more complex, each of our decisions can impact more and more facets of our lives.

"A clear understanding of our values is paramount to making our choices ones that we can live with."

A clear understanding of our values is paramount to making our choices ones that we can live with.

Future Lifestyle Options

In one of the first activities of this course your students will have an opportunity to begin testing and clarifying their value systems by making some choices among future lifestyle options.

In the activity, a short simulation called **The Lifestyle Supermarket**, your students will be offered several fictitious but desirable lifestyles that they can "purchase" from a "monetary allotment." Like the child with a certain amount of money to spend in the candy store, each student will have to make choices. Some of them may be unexpected.

While play of the simulation is fun, and most students will have little trouble becoming engrossed in the activity, serious thinking should take place. And by reflecting back over what happened

"Most students will have little trouble becoming engrossed in the activity."

during the simulation, students will often be surprised by their actions and choices made during play. A teacher-led discussion will highlight many of the important ideas and processes.

The Lifestyle Supermarket also sets the stage for the longer-term simulation that serves as the vehicle for the **LIVING TOMORROW TODAY** program. The shorter simulation introduces your students to the practice of participating in a not-for-real situation in order to gain insights applicable to later real-life contexts.

After you have debriefed play of **The Lifestyle Supermarket**, you will lead your students through a goal-setting activity, **The Ladder of Goals**, that establishes a kind of rough draft of what they want to achieve in life. As the course progresses, they will learn how to attach economic values to their goals and how the pressures of meeting day-to-day living expenses can distract them from making investments in meeting their ultimate objectives.

But before you get into these kick-off activities, you should take a little time to prepare your students for the course as a whole.

Welcome to Tomorrow

■ To introduce your class to **LIVING TOMORROW TODAY**, the following points might be helpful as opening remarks:

*Welcome to **LIVING TOMORROW TODAY**! I guess we all spend some time wondering and fantasizing about the future. Many people make a business out of predicting the future. Some of them are called psychics. The end of the earth has been predicted throughout history. As you can see, predicting the future isn't easy. Not everyone can be successful at it. But we are all curious about what it will be like, and we all make guesses.*

"Predicting the future isn't easy."

When civilization progressed far enough for people to begin to plan ahead, the past became the model for the future: "That's how it's always been," people said, "so that's how it'll be next year." While this was close to the truth years ago, these days things do change—they change very rapidly—so that the future is likely to be quite different from today.

And even if the whole world weren't changing at a rapid rate, you'd still experience significant changes in your own lives, as you moved from one life phase to another.

*While predicting the future hasn't become an exact science yet and may never become one, we have learned that we can envision **possible** futures, and by simulating them now we can gain insights into what they might be like and how we might behave if they really happened.*

***LIVING TOMORROW TODAY** is designed to give each of you a short look into a possible future for yourself as a young adult. It offers you a rare opportunity to learn--through experiences that you will have over the next few months—what kinds of concerns, goals, decisions, and trade-offs you might be dealing with in the not-too-distant future.*

Each of you will assume a future role for yourself, and while you are in this class, you will be transported in imagination to that time in the future. A series of activities will allow you to simulate earning a living, getting a homemate, furnishing a home, purchasing a car, recreating, and paying taxes. All the "good" things in life.

"This course is fun, and it is rewarding."

This course is fun, and it is rewarding. The more you can put into the upcoming experiences, the better able you'll be to make informed decisions for the rest of your life. It is a unique opportunity to learn how you can spend your future.

"It is a unique opportunity to learn how you can spend your future."

Getting Organized

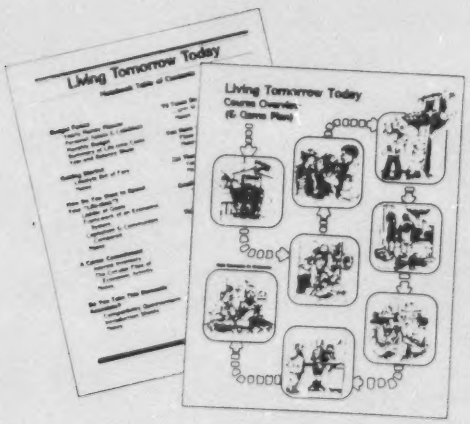
■ Spend some time now getting organizational matters out of the way:

Attendance. Indicate any attendance regulations for your classroom. And note that since students will be working in pairs later in the course and sharing their learnings, unnecessary tardiness or absences will be detrimental to their partners and to the class as a whole.

"Tardiness or absences will be detrimental to their partners and to the class as a whole."

Student Notebook. Because of the diversity of course experiences (which will be different from one student to the next) and the need to accumulate resources and maintain records, each student is required to provide and keep current a notebook for this course. Included in the notebook should be not only filled-in worksheets but also notes on the course lectures and discussions.

Tell your students that the notebook could well become an invaluable working and reference document for them to use for a long time after graduation.



Copies of the **Living Tomorrow Today Course Overview** and the **Notebook Table of Contents** can be distributed at this time. The **Overview** sheet can be used as a kind of inside title page in each student notebook. The **Notebook Table of Contents** serves as a guide to the order in which notes and worksheets are to be retained.

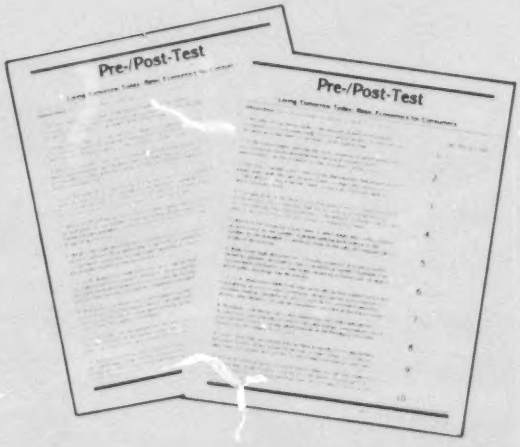
A model of an acceptable notebook might also be displayed. (Such a model will be easier to come by the second time you teach the course—especially if you have made a xerographic copy of one of your first-year student's notebooks.)

Individual Research. Even though there will be partners later in the course and some sharing of research work, each individual is expected to do personal research, including some away from the classroom, such as window-shopping to determine ranges of quality and prices for goods and services.

Distribute the **Record of Money Transactions** worksheet and give as their first individual research assignment the following:

To increase your awareness of how you are handling money right now, you are to keep a record of all your money transactions for the duration of this semester. Fill in under "Income" only those monies that you have title to. Simple possession does not make money yours; for example, if your parent gives you money to buy something for the family at the grocery store, you do not have title to that money. Because you have a right to privacy in this area, no one else will look at your ***Record of Money Transactions*** *without your permission. You are on your honor to keep it current. But if you do so conscientiously, you will find that it can be a source of many insights about your values and habits.*

Evaluation/Grades. Explain the bases for evaluation of student work, such as attendance records, evidence of participation in classroom activities, periodic appraisals of notebook contents, occasional quizzes, extra-credit projects, and mid-term and final examinations. (A **Pre/Post-test** is furnished in the **Tests & Quizzes** section of this guide, along with a list of possible essay topics.)



Administering the Pre-test

■ If you decide to administer a pre-test, this is an appropriate time for it. You can prepare for it by saying:

Speaking of examinations, here is your first one. Don't panic—it's not for a grade, but rather to get an indication of how much you already know. You'll be taking the

"Speaking of examinations, here is your first one."

same test again when the course is over. You can compare your answers then with your answers at the start and get an idea of your progress.

■ Hand out the **Pre-test** and allow 15-20 minutes for its completion. Then collect the tests.

The Lifestyle Supermarket Game

■ To prepare for play of **The Lifestyle Supermarket**, explain to your students:

You will have opportunities to engage in imagined versions of real life throughout this course. To start with, you are going to have a chance to make some fantastic

"You are going to have a chance to make some fantastic purchases with some imaginary money."

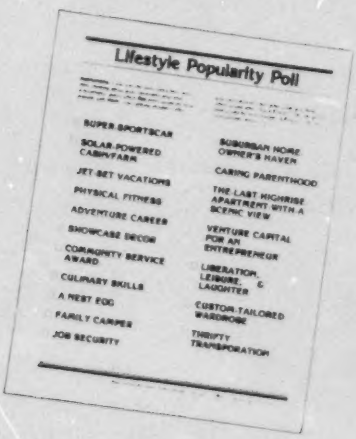
purchases with some imaginary money. In other words, you are going to play a short simulation game. It's called ***The Lifestyle Supermarket****.*

You can learn from a simulation game in the same way that people learn from any simulated activity—such as shadow boxing, flight simulation, or the war games that the military plays.

Simulation games are not frivolous activities; they are serious experiments that allow us to look at reality through a model of it.

For instance, hospital personnel sometimes simulate their responses to disasters, such as earthquakes, in order to learn how to react before they have to face the real thing. If they are serious about their make-believe (and believe me, they usually are), they can learn many valuable lessons that prepare them for the future.

The simulations in the ***LIVING TOMORROW TODAY*** *program provide for a lot of learning if you are open to the experiences. Some simulations are more fanciful and others more realistic, but all offer fun, adventure, and useful lessons if you are a thoughtful player.*


Lifestyle Popularity Poll

SUPER SPORTSCAR
SOLAR-POWERED CABIN/FARM
JET SET VACATIONS
PHYSICAL FITNESS
ADVENTURE CAREER
SHOWCASE DECOR
COMMUNITY SERVICE AWARD
CULINARY SKILLS
A NEST EGG
FAMILY CAMPER
JOB SECURITY
SUBURBAN HOME OWNER'S HAVEN
CARING PARENTHOOD
THE LAST HIGHRISE APARTMENT WITH A SCENIC VIEW
VENTURE CAPITAL FOR AN ENTREPRENEUR
LIBERATION, LEISURE, & LAUGHTER
CUSTOM-TAILORED WARDROBE
THRIFTY TRANSPORATION

Lifestyle Popularity Poll

■ You can get the activity underway by distributing copies of the **Lifestyle Popularity Poll** and by telling your students:

☐ ***Lifestyle*** *is a term used to describe the general way in which you live—how you dress, what kind of occupation you have, how you spend your leisure time, where you live, and so on. It is a composite of many different choices that you have made in the course of living. Even so, sometimes one or two individual items are so typical of a way of life that they seem to stand for a whole lifestyle. In the late sixties, long hair and beads around a man's neck signified a hippie lifestyle. For a long time the grey flannel suit has stood for a lifestyle typical of a corporate executive.*

☐ *On the sheet that I've handed out to you there are several different items that can be considered to be symbolic of different types of lifestyles.*

I would like for you to look over the items and then, thinking about your classmates and other schoolmates, make a guess about the five most popular items on this list. Your ranking shouldn't reflect what are your own favorites, but rather what you think others would select. Put a ***5*** *next to the one you think would be most popular, a* ***4*** *next to the next-most-popular, and so on.*

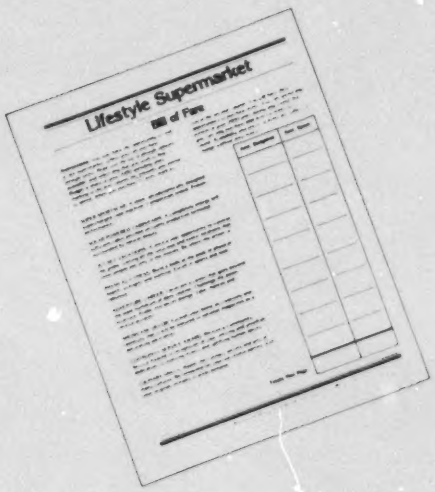
■ While your students are making their rankings, write on the chalkboard key words standing for the 20 items on the list, leaving space next to each for recording the votes you will be totaling.

■ When the students have completed their rankings, tally their ratings. Ask for everyone who gave a ranking to the first item to hold up the number of fingers standing for his/er ranking number. Add

up the number of fingers and record the total next to the first item on the chalkboard. Continue this procedure, recording the popularity ratings for each item on the list. (Don't be concerned if some item ratings are tied with others.)

■ If time permits, discuss with your students why they assumed that certain items would be the most popular. Encourage students who refer to needs, wants, or feelings to elaborate on their statements.

Before erasing the chalkboard, make a paper copy of the results of the poll.



Lifestyle Bill of Fare

■ Distribute the **Lifestyle Bill of Fare** sheet that contains expanded descriptions of the lifestyle options. Explain to the class that this is a listing of lifestyles that will now be made available for them to "purchase." They are to read the descriptions and determine which items appeal to them.

■ While your students are perusing the **Bill of Fare**, make a list of the lifestyle titles on the chalkboard. Be sure to leave enough space before and after each title so that later you can add the number available for sale and the selling price.

■ Pass a container with consecutively numbered slips of paper around the classroom. Ask that each student draw one slip and pass the container along to the next student.

■ At this point you may want to ask if there are any questions about the items listed. Feel free to elaborate on any description, but do not impose a value—make only descriptive remarks. It is extremely important that each student affix his/er own values to the items.

■ Tell the students that each of them will have 1000 imaginary monetary units to spend for the lifestyle items. Tell them that you are now going to indicate the quantity of each item that will be available for purchase and the selling price.

Opportunities to purchase items will occur in rounds. In each round students can make purchases in the order determined by the drawing—the student who drew #1 going first, and so on.

While you put prices on the board, your students can budget the monetary units that they intend to spend.

The Lifestyle Pricing Guide

■ Referring to **The Lifestyle Pricing Guide**, mark quantities and prices for the Round 1 on the chalkboard. During play of each round, record the number of purchases of each item on the pricing guide form.

Lifestyle Pricing Guide

Round 1		Round 2		Round 3	
No. Available	No. Sold	No. Available	No. Sold	No. Available	No. Sold
SUPER-SPORTSCAR 3 @ 1000	☐	3 @ 800 2 @ 900 1 @ 1100 0 @ 0	☐	3 @ 500 2 @ 700 1 @ 900 0 Add 2 @ 1200	☐
CABIN/FARM 3 @ 1100	☐	3 @ 900 2 @ 1000 1 @ 1300 0 @ 0	☐	3 @ 500 2 @ 800 1 @ 1400 0 Add 1 @ 1600	☐
JET-SET VACATIONS 5 @ 700	☐	4-5 @ 500 2-3 @ 700 1 @ 900 0 @ 0	☐	4-5 @ 300 2-3 @ 600 1 @ 900 0 Add 3 @ 1000	☐
PHYSICAL FITNESS 6 @ 600	☐	5-6 @ 300 3-4 @ 600 1-2 @ 700 0 @ 0	☐	5-6 @ 200 3-4 @ 400 1-2 @ 500 0 Add 4 @ 800	☐
ADVENTURE CAREER 3 @ 600	☐	3 @ 400 2 @ 500 1 @ 700 0 @ 0	☐	3 @ 100 2 @ 300 1 @ 500 0 Add 1 @ 800	☐
SHOWCASE DECOR 6 @ 400	☐	5-6 @ 300 3-4 @ 400 1-2 @ 500 0 @ 0	☐	5-6 @ 200 3-4 @ 300 1-2 @ 600 0 Add 4 @ 700	☐
COMMUNITY SERVICE 3 @ 500	☐	3 @ 300 2 @ 500 1 @ 700 0 @ 0	☐	3 @ 100 2 @ 300 1 @ 800 0 Add 1 @ 900	☐
CULINARY SKILLS 8 @ 300	☐	7-8 @ 200 4-6 @ 300 1-3 @ 400 0 @ 0	☐	7-8 @ 100 4-6 @ 200 1-3 @ 500 0 Add 6 @ 600	☐
A NEST EGG 3 @ 800	☐	3 @ 600 2 @ 700 1 @ 1000 0 @ 0	☐	3 @ 300 2 @ 600 1 @ 1100 0 Add 1 @ 1200	☐

Round 1		Round 2		Round 3	
No. Available	No. Sold	No. Available	No. Sold	No. Available	No. Sold
FAMILY CAMPER 5 @ 500	☐	5 @ 400 3-4 @ 500 1-2 @ 700 0 @ 0	☐	5 @ 300 3-4 @ 400 1-2 @ 800 0 Add 3 @ 900	☐
JOB SECURITY 4 @ 500	☐	4 @ 300 3 @ 500 1-2 @ 600 0 @ 0	☐	4 @ 200 3 @ 300 1-2 @ 600 0 Add 2 @ 700	☐
SUBURBAN HOME 3 @ 1200	☐	3 @ 1000 2 @ 1100 1 @ 1500 0 @ 0	☐	3 @ 500 2 @ 1000 1 @ 1600 0 Add 1 @ 1700	☐
CARING PARENTHOOD 9 @ 600	☐	7-9 @ 500 4-6 @ 600 1-3 @ 700 0 @ 0	☐	7-9 @ 300 4-6 @ 500 1-3 @ 800 0 Add 2 @ 1000	☐
LAST HIGHRISE 3 @ 800	☐	3 @ 500 2 @ 700 1 @ 900 0 @ 0	☐	3 @ 400 2 @ 500 1 @ 1000 0 Add 2 @ 1200	☐
VENTURE CAPITAL 3 @ 1000	☐	3 @ 700 2 @ 900 1 @ 1200 0 @ 0	☐	3 @ 500 2 @ 700 1 @ 1300 0 Add 3 @ 1400	☐
LIBERATION, LEISURE 9 @ 500	☐	7-9 @ 400 4-6 @ 500 1-3 @ 600 0 @ 0	☐	7-9 @ 200 4-6 @ 400 1-3 @ 700 0 Add 3 @ 800	☐
CUSTOM WARDROBE 6 @ 400	☐	5-6 @ 300 3-4 @ 400 1-2 @ 500 0 @ 0	☐	5-6 @ 100 3-4 @ 300 1-2 @ 600 0 Add 6 @ 700	☐
THRIFTY TRANSPORT 5 @ 300	☐	4-5 @ 200 2-3 @ 300 1 @ 500 0 @ 0	☐	4-5 @ 100 2-3 @ 200 1 @ 700 0 Add 5 @ 800	☐

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Round 1

■ After your students have had enough time to finish budgeting their monetary units, start Round 1 by calling for the person who has Ticket #1 and asking him/er what item s/he would like to purchase. Be sure to make a tally mark on your own pricing sheet. Continue calling each number in order until all students have had a turn in Round 1. (When all of the available units of any item have been sold, no others can be purchased.)

■ At the end of Round 1 tell the students that they can make changes in their budgets at this time, and that you will be making some changes in prices.

■ To change prices for Round 2, consult your pricing chart. You will find the new prices listed in the Round 2 column, next to the quantity available. For instance:

PHYSICAL FITNESS
6 @ 600

5-6 @ 300	5-6 @ 200
3-4 @ 600	3-4 @ 400
1-2 @ 700	1-2 @ 500
0 @ 0	0 Add 4 @ 800

If three out of six units were sold in Round 1, then the remaining three would be priced at 600 units in Round 2.

When the students see the new prices, they may want some more time to recalculate their budgets. (This is where their values are being tested, and the process of making trade-offs comes into play.)

Round 2

■ Again conduct a purchasing round by following the numerical order.

■ At conclusion of play of Round 2, you will again change selling prices. The next round will be a "close-out" round for remaining items, and items previously sold out will be re-stocked with new prices attached. Above the chalkboard list you may write "CLOSE-OUT SALE!"

Round 3

■ Conduct the final purchasing round by following the numerical order determined by the drawing.

During this final round some participants will be anxious to buy the most expensive item that they have money enough to purchase. Others will bemoan the fact that an item that was previously sold out is now available—but at a price beyond their means.

Some students may want to form co-ops, to combine their remaining money to share in a costly purchase. This is acceptable, but it should not be given as an option prior to play. It will have more significance if the students create it out of

"Some students may want to form co-ops—to combine their remaining money to share in a costly purchase."

a strong desire to obtain something that otherwise would be unattainable.

■ At the end of Round 3, have each student report on the items purchased, the amount spent on each item, and the total expended.

Debriefing the Simulation

■ Finally, debrief the experience with the class, asking questions like the following:

Were any of you able to get everything that you originally planned to buy? How do you feel about that?

Did any of you lose out on an item that you especially wanted? What made that item important to you? How did you feel when you couldn't purchase it?

How many of you changed your minds about which items to purchase or about how much you would spend? Why? How did you feel when changes were necessary?

How accurate a prediction of how this game would be played were our earlier ratings of items on the Popularity Poll? How would you account for similarities or differences between actual and predicted popularity?

Some students may not be forthcoming in revealing their feelings or their motivations for their purchasing

"They act as models for the more reserved, giving legitimacy to open discussion."

strategies, but that's O.K. Even when a participant is unable to talk freely before a group, s/he may be able to gain insights into his/er own and others' behavior through quiet observation. Students that **are** willing and able to express their insights should be encouraged to do so because they act as models for the more reserved participants, giving legitimacy to open discussion. Such open discussion will be helpful in highlighting experiential learnings throughout the program.

"Open discussion will be helpful in highlighting experiential learnings throughout the program."

■ Make the point at the end of the debriefing that a simulation allows one to practice behaviors and try out decision-making in a safe situation, where rections can be observed and insights gained without one's having to live forever with the consequences of mistakes:

This course is designed to allow you to take a look at yourself tomorrow by simulating your future self today.

"This course is designed to allow you to take a look at yourself tomorrow by simulating your future self today."

THE BIGGER PICTURE: Introduction to the Effects of Supply & Demand on Prices

■ Use the students' recollections of their recent experience as jumping-off points for a discussion of the larger economic implications of the simulation:

The Lifestyle Supermarket *highlighted some important aspects of life and of consumer economics.*

The Supermarket items such as Venture Capital, Parenthood, and Thrifty Transportation represented economic accomplishments, personal and social satisfactions, and physical possessions. There is a cost for securing such items that was represented by their selling prices in the game. Since the items differed in desirability (popularity), different prices were given to the different items.

When a buyer looks at an item by itself, s/he rates its ***desirability****—seeing it as desirable or non-desirable or somewhat desirable. When an item has a price attached to it, and is viewed alongside other priced items—as happened during* ***The Lifestyle Supermarket****, then* ***affordability*** *comes into play. You may desire something but not be able to afford it, or you may be able to afford something, yet not desire it. In either case, no sale transpires. But if you desire something enough and can afford it—BINGO, a sale is made.*

And after we secure what we desire, it usually follows that we start looking around for more things to desire. We have virtually an unlimited capacity to want and to desire more and more. Economists sometimes refer to this phenomenon as ***insatiable wants****.*

"We have virtually an unlimited capacity to want and desire more and more."

Also, in the simulation some items were in short or limited supply, or they became limited in supply as units were sold. The idea that there can be ***scarcity*** *is important to remember.*

Looking at the bigger picture, the fact that oil has become not as readily available as it was formerly has made it both more desirable and more costly. Also, our realization that the oil supply is finite (limited in amount) has caused alternative energy sources such as coal and solar power to become more desirable than they were in the past.

Going back to our simulation, some items were priced too high for their desirability. When the prices were lowered during the next round, they became affordable for their degree of desirability. Sometimes in the real world items become so affordable that they are purchased even though they are only somewhat desirable. Haven't you heard someone say, "It was such a good bargain, I couldn't pass it up!"

Two very important economic concepts that were illustrated in ***The Lifestyle Supermarket*** *were* ***supply*** *and* ***demand****.*

An important economic relationship is the one between the available ***quantity*** *of a good or service and the* ***price*** *at which that good or service is purchased. The interaction between these factors follows certain patterns that economists term the* ***laws of supply and demand****.*

Who Wants It?

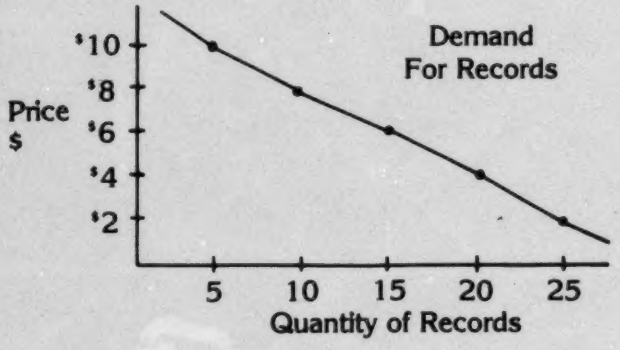
We've all heard about ***supply and demand*** *but what do these words and laws mean? Let's examine demand first. Normally, when you "demand" something, you want or need it. In economic terms, however, demand implies that you want or need a product and are willing and able to pay for it. For example, your demand for a new record album will only be evidenced when you actually go out and buy the album.*

Sometimes, depending upon the price, you may buy more than one album or you may decide you simply can't afford any album at all. This can be charted by a ***demand curve.***

Let's say, for example, that record albums are selling for $10 at Ron's Records. At that price, 5 of you will buy an album. If Ron lowers the price to $8, 10 of you will buy. At $6, 15 of you will buy an album. And, if he gets the price down to $3.95, 22 people (including me) will buy.

"As the price of something goes down; consumers' desires increase; and they are more willing and more able to pay for the item."

The effect of price on quantity demanded can be charted like this (draw chart on chalkboard):



This chart illustrates what is called the ***Law of Demand****: quantity and price are inversely related. (As you lower the price, quantity demanded increases.)*

Sounds fairly simple, doesn't it? However, there are some fairly complicated economic factors at work here:

1. One reason Ron sells more records at the lower price is that ***new buyers*** *(like me) can now afford his records. This is called the "new buyer effect."*

2. A second reason is that regular record buyers find that their ***purchasing power*** *(the number of records that can be bought for the same amount of money) has gone* ***up****. Because this means they have more money (real income) left over to buy other things, including more records, economists call this the "income effect."*

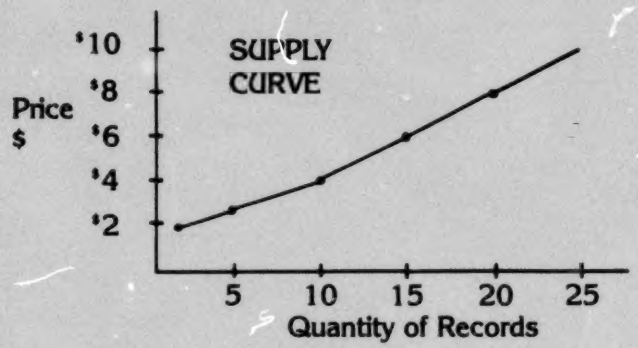
3. The third reason behind the law of demand is called "the substitution effect." Let's say that last week record albums and cassette tapes were selling at the same price. Since both products provide essentially the end (i.e., music), the consumer gains satisfaction by substituting this week's lower-priced records for higher-priced tapes. This is called "the substitution effect."

Note that these three effects contribute to a demand curve that slopes downward. As prices come down, quantity of goods demanded increases. This law is often called the ***law of downward sloping demand.***

How Many Can They Get?

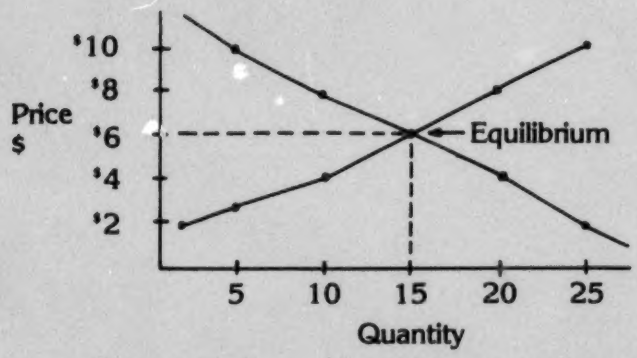
Supply *is defined as "the quantity of a good or service made available by the supplier." A* ***supply curve*** *shows how many products a supplier* ***would like*** *to supply at different prices. If we asked the owner of Ron's Records, "How many records would you want to make available at $10, at $8, $6 and so forth?", we would find that Ron's supply curve slopes upward.*

"When a supplier can get a higher price for a good or service, then an increase in quantity becomes advisable."



More of any good or service will be supplied as the price rises.

Now we are ready for an important step in understanding how a ***market*** *works. When we combine both the supply and demand curves, we find a point where both are balanced or equal. It can be depicted like this (draw chart on board):*



The point where supply and demand are equal, where a single price satisfies both the amount suppliers are willing to provide and the quantity consumes will demand, is ***equilibrium****.*

In a free market, if the laws of demand and supply prevail, prices will tend toward the point of equilibrium and ***clear the market****.*

Did this ever happen in our play of ***The Lifestyle Supermarket?***

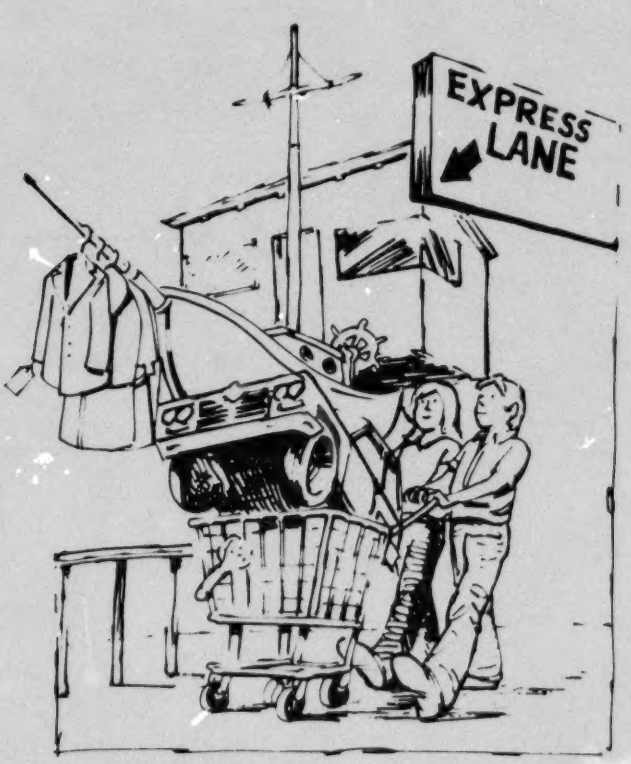
While equilibrium is the perfect balance sought by consumers and suppliers in a single market, the fact that supply and demand curves are constantly changing makes finding the equilibrium price a continuous challenge.

Some factors that can cause a change in demand include advertising, changes in consumer tastes or fashion, the discovery of a new use for an old product, the expansion of the overall size of the consumer market, or the raising or lowering of prices for a complementary product (stereos, for example). In a free market, the demand curve is never stationary for long.

And what about the supply curve? Factors that keep supply curves moving include the entry of new suppliers (or the exit of old ones) into an existing market, technological breakthroughs that lower the costs of production, or other changes (bad weather, a labor strike) that raise the costs of production.

These are all natural forces constantly effecting a market's drive toward equilibrium. There are other forces, too—like government price supports or price ceilings—that have major effects. How do all these things come together with others to form an economic system? That's what we'll be discovering in the weeks and months ahead.

How Do You Want To Spend Your "Life-time"?



Student Objectives

Upon completion of this unit, the student should be able to:

- discuss the variety of goals existing among different people
- develop realistic goals that reflect his/er values
- list steps to be taken to attain goals
- define and correctly use the following economic terms: *resources, unlimited wants, consumption, goods and services, scarcity, private property, free enterprise, consumer sovereignty, enlightened self-interest, specialization, interdependence* (economic), and *medium of exchange*
- list stages in rational decision making
- list four choices necessitated by scarcity in any society
- briefly characterize four basic types of economies: *traditional, command, market*, and *mixed*
- contrast pure communism with pure capitalism
- list and describe four roles through which individuals in our society participate in economic decisions

Teacher Preparation

- Reproduce sufficient copies of the following for distribution to all students: *Compatibility Questionnaire, Introduction Sheets, Personal Assets & Liabilities, Ladder of Goals* (3 copies per student), *Framework of an Economic System, Capitalism & Communism Compared.*

Time Frame

Approximately 5-6 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Many Goals, Several Roles

This unit begins with the assignment of some homework to prepare your students to form into decision-making pairs later on. Then it moves quickly to the primary business at hand: clarifying their values and setting the major goals that they want to accomplish over their working lifetimes. (In the **Career** unit that follows, students will be determining how much of their "life-times" they want to allocate to pursuing these goals.)

The present unit concludes with a lecture/discussion dealing with the framework of an economic system, the basic questions that must be addressed by any society in determining its own particular economic-system "mix," and the four economic roles played by individuals in our society (and studied in our instructional simulation): producer, consumer, saver/investor, and citizen.

Prepare for Pairing

■ Launch the background work involved in pairing up the students by distributing the following handouts and giving instructions for completing them: the **Compatibility Questionnaire**, the **Introduction Sheets**, and the **Personal Assets & Liabilities** form.

The first two are actually self-explanatory. With regard to the **Personal Assets & Liabilities** form, tell the students that they are to assume when they complete it that they are at the beginning of their first year of full-time career employment. They should make careful guesses regarding what things they might own and what amounts they might owe at that time. In addition, they should consult with their parent(s) or guardian(s) to find out if they can count on having such things when they leave their parents' home as:

- Insurance policies taken out on them earlier
- Financial assistance
- Physical possessions such as furniture, appliances, utensils, tools, hobby equipment, etc.

Tell them to complete the **Compatibility Questionnaire** immediately, as you will be collecting it in the next day or so. The other forms will be collected later; they'll be given advance warning when the time comes.

With these paperwork matters out of the way, you are ready to attend to the main work of this unit.

We Primed the Pump

During **The Lifestyle Supermarket** your students had opportunities to begin to think about what kinds of lifestyles they might envision for themselves. We primed the pump, and now we are ready to start the long-term experience of **living tomorrow today**.

> **"Now we are ready to start the long-term experience of *living tomorrow today.*"**

Now the task for each student will be to develop a comprehensive set of goals that reflects each one's individual vision of his/er future lifestyle.

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Since this goal-setting activity is fundamental to the entire course, a full three or four class sessions should be allotted to it.

Let It Flow

■ On the first day, after a brief introduction to the goal-setting task, students can sit quietly and independently and dream about their futures. On sheets

"Students can sit quietly and independently and dream about their futures."

of their own notebook paper they should list the goals that they hope to accomplish within their working lifetimes.

In this round give them the additional task of sorting their listed goals into the following categories: Economic Accomplishments, Personal & Social Satisfactions, and Physical Possessions. (A fresh sheet of notebook paper should be used for each listing under a new category.)

■ To assist them you can put examples such as the following on the chalkboard:

Economic Accomplishments
Earn an income of $40,000 a year by the age of 35
Have a financially secure retirement
Start my own business

Personal & Social Satisfactions
Realize my maximum potential for physical health and strength
Get a Master's Degree in Business Administration
Have and support two children
Be a leader in my religious community

Physical Possessions
Own a luxury sportscar
Own a collection of top-quality camera and darkroom equipment
Own a vacation cabin in the mountains
Own a high-fashion wardrobe
Own a library of fine books

Some students may protest that they already know that they will never be able to have everything that they want. That's all right. Just tell them that you are also aware that it's a fact of life that some dreams will have to be foregone for the attainment of others. All the students are to do now is to begin to record their desired destinations in life. These will later serve as valuable points toward which to aim their plans for action. Tell them: "If you don't know where you're going, any road will get you there."

"If you don't know where you're going, any road will get you there."

At the end of the class period, encourage them to share their dreams with their relatives and friends so that additional goals might be suggested and considered.

Shared Aspirations

■ After they have had time to reflect individually, the students can be organized into same-sex groups of 6 to 8 students per group. As the students share their ideal goals with one another, they will become aware of several things. First, they will note the great variety of goals

which exist among different people. Second, they will become aware of some new goals for themselves which they never considered on their own. Third, they may become more aware that some goals which they have set are not very realistic. (It should be an exciting experience for you to listen to your students dream!)

■ Next organize the students into mixed-sex groupings and tell them to continue to share potential goals and insights. With encouragement from you, this session may also challenge any unduly restrictive sex-stereotypical ambitions that emerged in the previous round of discussion.

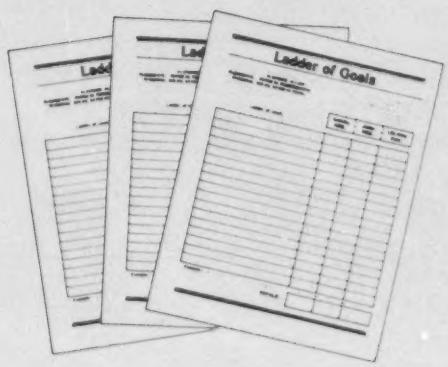
Milestone Goals Along the Way

■ After the categorized listings are completed, put the students into new mixed-sex groups (6-8 per group) and give them this more complex task:

Determine the one goal in each of the three areas (economic accomplishments, personal & social satisfactions, physical possessions) that you want to concentrate on in your planning. For each of these three goals, list the major steps that you want to take to accomplish the goal. For example, if one of your important goals is to start your own business, you might list milestone goals like these (write the steps on the board):

"Challenge any unduly restrictive sex-stereotypical ambitions that emerged."

- *Get a job related to the business that I want to have eventually*
- *Take college courses in business management*
- *Subscribe to business magazines and newspapers*
- *Buy and read books on business*
- *Visit businesses to get the advice of their owners and managers*
- *Become an active member of a professional or trade organization*
- *Join a country club in order to meet prospective financial backers*
- *Save at least 60% of the initial capital needed*



A Ladder of Goals

■ Distribute three copies of the **Ladder of Goals** form to each student. Direct them to transfer their listings to the form (one goal with its related strategy steps per page)—to form a "ladder" leading to the major goal at the top of the page.

Tell them to ignore for the time being the columns to the right of the form.

Tell them further that the **Ladder of Goals** activities in this and later lessons will enable them to relate their expenditures of time and money to purposes beyond mere survival, to intended achievements that they have determined to be of significant worth to them.

Stages of Decision Making

■ List for them the stages of decision making that they have begun to go through and that will be repeated as a cycle again and again as the course progresses:

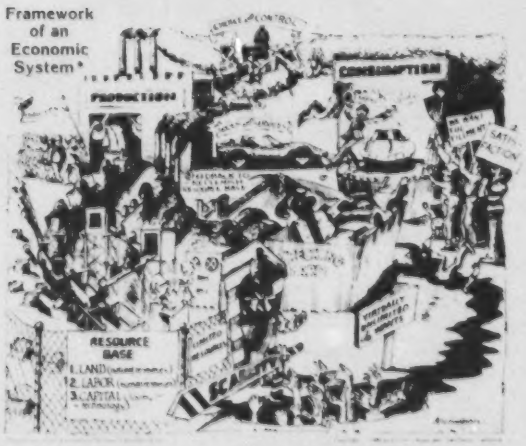
1. Obtain the facts relevant to the problem.

2. Establish goals and objectives.

3. Determine and analyze alternative courses of action.

4. Evaluate the alternatives in light of your goals; achieve a balance between costs and benefits.

5. Choose the best alternative(s) for action.



THE BIGGER PICTURE: A Basic Overview

To give your students an overall context within which to place their activities and studies, present facts such as those given below.

■ Hand out one copy to each student of the **Framework of an Economic System** (an illustrated chart), and explain:

*The members of any society have a limited amount of **resources** which they must use to satisfy their **unlimited wants**. In general, these wants are satisfied in a variety of ways, including the use (or **consumption**) of **goods and services** made (or **produced**) from that society's base of productive resources. These resources include:*

***LAND** (natural resources)*
***LABOR** (human resources)*
***CAPITAL** (tools & technology)*

***Scarcity** refers to the fact that because our wants will always exceed our ability to produce, our resources are scarce or limited.*

"The number of wants will always exceed the amount of resources available."

Encourage the students to examine the **Framework** illustration details. Discuss their understanding of what they see, clearing up any confusion that may exist.

■ Take the discussion beyond the **Framework** illustration by saying:

*The inescapable fact of scarcity necessitates **choices**. The four key choices which must be made by any society are:*

1. WHAT will be produced? *(e.g., "guns" or "butter"?)*

2. HOW will it be produced? *(by what kinds of enterprises and by means of which technologies?)*

3. WHO gets how much? *(who are the recipients of the goods & services; in what quantities?)*

4. WHO decides? *(individuals, government, or a combination of the two?)*

*How the four key choices plus one other—**WHO owns property?**—are made determines the **type of economy** that a society has:*

***TRADITIONAL**, with choices based on traditions and custom*

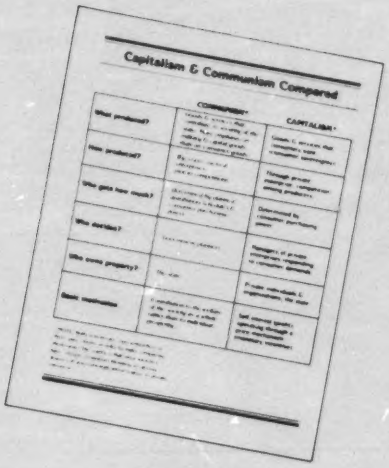
***COMMAND**, with choices determined by governmental planning*

***MARKET**, with choices made by interactions among consumers and producers*

***MIXED**, with choices made by combinations of the other decision-making modes*

■ Distribute the handout entitled **Capitalism & Communism Compared** and say:

This chart compares two economic systems of major significance today: communism and capitalism. Both are represented here in their "pure" forms in order to make comparing them easier. The reality is that most societies have "mixed"


Capitalism & Communism Compared

*economies with blends of varying degrees of governmental control relative to private determination of the answers to the basic questions. Later on, when we get to our unit on **Credit** we'll see in some detail just what the mix is in our American economy.*

"Most societies have 'mixed' economies."

Discuss the contrasts between the two economic systems that are displayed by the chart, and encourage your students to contribute examples of capitalistic or communistic practices from their own knowledge. Then expand on the nature of capitalism by saying:

*The basic institutions of pure capitalism are **private property** and **freedom of***

"The basic institutions of pure capitalism are private property and freedom of contract."

***contract**. Private property is a shorthand phrase standing for the right of each individual to use his/er property as s/he*

wishes (without causing injury to others) and to receive any income from it. ***Freedom of contract*** *means that individuals are free to make their own arrangements for the purchase and sale of goods and services, for organizing their businesses, and for pursuing occupations.*

Freedom of contract, then, enables ***free enterprise****, the practice of business without (or with very limited) governmental restraint.*

Another important concept is ***consumer sovereignty****, which means that the consumer ultimately controls what goods and services will be produced—and for what prices they will be sold.*

To maintain pure capitalism it is essential that there be competition among both buyers and sellers, motivated by ***enlightened self-interest****. If it operates as it theoretically should, the capitalist system may convert the many activities of individuals into an overall pattern that benefits the public as a whole. But because it has not always so operated, the tendency has been for countries to "mix" with capitalism some of the elements of a command economy.*

The individual in our society participates in economic decisions through fulfilling a variety of roles. And in the LIVING TOMORROW TODAY simulation you'll have many opportunities to get more familiar with what is involved in playing these roles:

PRODUCER *(taking part in turning out the goods and services that consumers want)*

CONSUMER *(in collective groups, called "markets"; having a major influence on which goods and services are produced at what prices)*

SAVER/INVESTOR *(providing money for production management to use to purchase additional tools & technology)*

CITIZEN *(determining the degree of control that government will have over our economy)*

In making economic choices both society and the individual (in each of his/er roles) must examine goals, alternatives for reaching the goals, and the costs and benefits of each alternative. ***Trade-offs*** *result.*

Internationally*, different societies have made different decisions based on differences in goals, wants, and resources. In many cases, this has led to regional* ***specialization*** *(for example, specialization in oil production in the Middle East and in high-technology industry in Japan), which in turn leads to* ***interdependence****, one country depending on another for things which the first country cannot supply for itself. Whole nations become consumers and producers. Interdependence in turn creates the need for mechanisms for the exchange of resources and goods among individuals, regions, and nations. The* ***medium of this exchange*** *is* ***money****.*

A Few Reminders

■ At the end of this unit—and periodically throughout the remainder of the course, remind your students to continue to make entries on the **Record of Money Transactions**, and ask them about what they are learning from the activity.

A Career Commitment

Student Objectives

Upon completion of this unit, the student should be able to:

- identity his/er principal talents, interests, and goals
- research the job market and choose an occupation compatible with his/er talents, interests, and goals
- state the entry-level pay rate in his/er target occupation
- define and use correctly the following economic terms: *insatiable wants, felt uneasiness, life-time, market for productive resources (factor market), market for goods and services (product market)*
- identify the basic function of a market
- discuss his/er future role as a producer and wage earner
- identify at least three factors affecting wage rates in our society
- describe how a wage-earner exchanges *life-time* for money
- explain how purchases can be valued in terms of the amounts of *life-time* that must be exchanged for them

Teacher Preparation

- Reproduce sufficient copies of the following for distribution to all students: *Yearly Money Planner, The Circular Flow of Economic Activity, Summary of Life-time Costs.*
- Obtain sufficient copies of a career-awareness test (such as the *Kuder Interest Inventory* or the *California Occupational Preference Scale*) for distribution to all students.

Time Frame

Approximately 4-6 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Assuming Their Roles

In this unit the students assume their roles in the big simulation that will continue throughout the rest of the course. They examine their own values and goals and talents and interests. (They're not starting from scratch; there should have been plenty of insights from their experiences in the first unit.) They investigate the careers that intrigue them. And they choose an occupation to "live with" for the rest of the course.

In deciding on occupations, they are also determining the incomes that they will

"They choose an occupation to live with for the rest of the course."

have in the simulation—the amounts of money that they will have available to spend to fulfill their needs and desires.

Felt-uneasiness

This brings us to two of the most important concepts to be imparted by the course. The first is the concept of **felt-uneasiness**.

Felt-uneasiness is a term introduced by Dr. Ronald Finster, a professor of economics at Oregon College of Education. Dr. Finster introduced the term at an Intercollegiatge Studies Institute program at Stanford University.

Felt-uneasiness is a substitute term for **insatiable wants**, which was discussed in an earlier lesson.

Insatiable wants is a cold, drab term. The use of **felt-uneasiness** instead has made a great difference in the comprehension of economic theories and concepts by high-school students. After all, people always feel uneasy about something, and they are constantly trying to find ways to relieve such feelings. Students know

"People always feel uneasy about something, and they are constantly trying to find ways to relieve such feelings."

exactly what this means. They feel uneasy about the class in economics, about graduation, a job or vocation, college, a date, an automobile, food, drink, clothing, their appearances, the present, and the future.

The way to relieve felt-uneasiness is to make an exchange to get something to fill the void that is sensed. But what can we exchange? Let's look now at the second important concept here.

Life-time

The term **life-time** is a rather simple term which students will readily understand as it applies to each of them personally. There is a moment in time when life begins. There is another moment in time

"Like fingerprints, the total amount of life-time is different for each person."

when life ends. **Life-time**, then is merely the number of hours, minutes, and seconds which are included between these two moments in time. Like fingerprints, the total amount of life-time is different for each person.

The number of hours, minutes, and seconds of life-time for each individual is finite. So also, life-time for a marriage is finite; life-time for a family is finite; life-time for a nation, or any society, is finite. Yet all of the individuals and all societies have constant feelings of uneasiness. **Any means used to relieve felt-uneasiness will require an exchange of some portion of a person's or society's life-time.**

Different amounts of life-time will be exchanged for sleep, work, eating, traveling, watching television, going to school, and so on. As a general rule, if some amount of life-time is exchanged for any one of these, then that same life-time cannot be exchanged for another. (Some students may challenge this by saying that they eat while driving, study while watching television, or some other combination. Don't be disturbed. Raising these exceptions shows that they are grappling with the principle, and the rarity of the exceptions serves to highlight the basic truth.)

Dollar Value of Life-Time

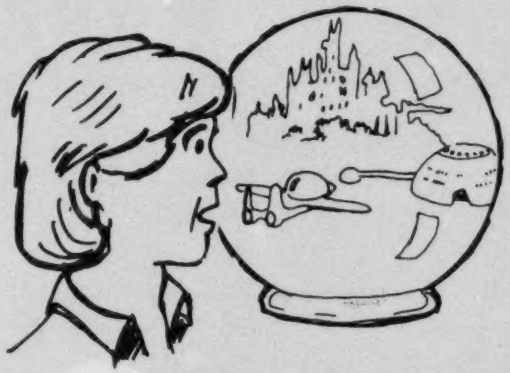
Since the value of any good or service is determined only when a consumer effects an **exchange of life-time**, the consumer must find the value of his/er life-time as it is exchanged for the medium of market exchanges: **money**. This can be done for students in the classroom by helping them to determine a personal income which is compatible with their interests, talents, and skills.

Take a Fantasy Trip

Here is a teaching strategy that should work well for you.

■ Introduce the unit by telling the students:

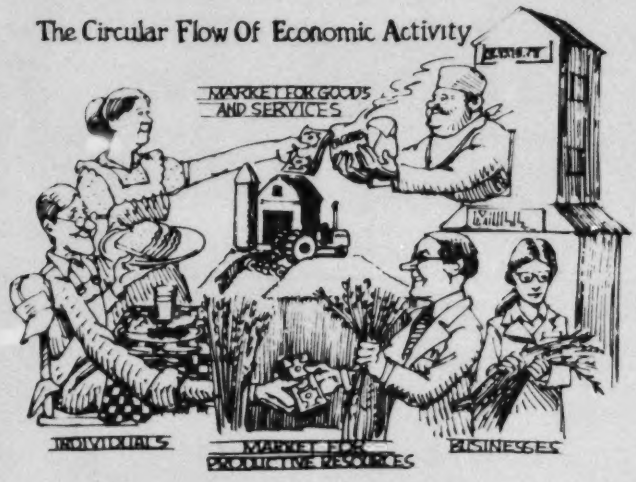
You're about to begin a fantasy trip into one year of your future lives. The trip will be fun, but it will also involve a lot of serious thinking and work.



You'll imagine choosing a career, committing to a home-mate, and deciding how you're going to spend your joint income.

Along the way you'll:

1. *Clarify your values and goals.*
2. *Learn something about how to negotiate with someone close to you without destroying the relationship.*
3. *Come to understand some of the basic concepts and principles of consumer economics.*
4. *Discover that economics is not necessarily a study of charts and graphs and hard-to-understand principles, but rather a* ***social science of human behavior.***



THE BIGGER PICTURE: The Circular Flow of Economic Activity

■ Distribute to each student a copy of **The Circular Flow of Economic Activity** and explain its meaning:
*This chart shows the **circular flow of economic activity**, if we temporarily ignore the role of government and assume for now that all income is spent; that is, that there is no saving.*

*In our primarily **private enterprise economy**, the **money demands** of **consumers** largely determine what is produced. **Businesses**, in striving to make **profits**, try to produce those **goods and services** that consumers want—at the lowest possible cost. (In some cases businesses also seek to influence consumer demands through advertising and other selling activities.)*

*Businesses draw **productive resources** (such as labor, land, and machinery) into those occupations where they will contribute most to meeting consumer demands.*

*And businesses simultaneously pay out **incomes** to **workers**, **landowners**, and other **suppliers** of productive services—who are also trying to maximize their economic returns.*

*These incomes, in turn, make it possible for income-receivers to become **consumers**, to bid for the goods and services that they want. Expenditures depend on income.*

*Markets in which prices rise and fall in response to changing demands and supplies provide the links which mesh together consumers and businesses. In the **Market for Productive Resources** (also called the **Factor Market**) business is the buyer of productive resources and the individual is the seller, or owner, who offers them for sale. In the **Market for Goods and Services** (also called the **Product Market**) business is the seller and the individual is the buyer of production. The **basic function of a market** is to effect the exchange at an appropriate price. Interactions among buyers and sellers create equilibrium prices, where there are neither shortages nor surplus—that is, the quantity demanded equals the quantity supplied.*

You can see that the most likely way for you to become a consumer on a significant scale is to become a producer as well. If you help businesses make money, they'll give you some of it, which you in turn can spend on the things you need and want. So the first thing you'll need to get into the flow is an occupation that will enable you to be a producer.

Career Awareness

To help you make an occupational choice for our simulation, you're going to take a self-analysis inventory (a kind of test that's not for grading but strictly to learn more about yourself) and do some research.

■ Administer a career-awareness inventory, such as the **Kuder Interest Inventory** or the **California Occupational Preference Scale**.

■ Help the students score their own inventories and interpret their findings. (Use the protocols that come with the interest tests.) They should determine their two areas of highest interest. (You might also want them to note the area of lowest interest to them—so that they can avoid it!)

■ Conduct a large-group discussion of the results of the inventory-taking, asking questions like:

Were there any surprises in what you found out from your test results?

What thinking have you already given to the area of occupational choice?

*Are there any parallels between your test results and the experiences you had earlier in the **Lifestyle Supermarket** and goal setting?*

What would be some good ways to do further research into the area of occupational choice? What resources do we have available to us?

Research Occupations

■ Assign as homework research at the local library or your school library or career center. The **Dictionary of Occupational Titles** is a key resource to make available.

Tell the students that each of them is to:

☐ *Choose three occupations from your top two interest areas.*

☐ *For each occupation, determine the geographic locations of opportunities in it; the amount and probable cost of education and experience required for entry; and the beginning gross income, including possible fringe benefits.*

☐ *If possible, interview someone who works in each of the three occupations that you are exploring.*

THE BIGGER PICTURE: Your Role As Producer in Our Society

After your students have researched occupational opportunities and their related wage rates, they should be motivated to look at the larger picture of their roles as producers.

■ If you like, you can assign readings and conduct a discussion on this topic, covering points such as the following:

*How much variation is there among **wage rates**?*

Wages vary considerably. In this country a top executive in a major industry or an entertainment superstar may earn a million or more dollars a year, while an unskilled laborer gets around $6,000. The wages for the same occupation also vary from one area of the country to another and from one country to the next. (For this and all other questions, encourage the students to contribute examples from their own experience or reading.)

*What is the relation of wage earning to **production**?*

The wage earner is assumed to be contributing to the total output of goods and services of his/er employing

organization. The more "productive" the wage earner is, the more, theoretically, the wage earner is "worth" to that organization.

As one moves up the hierarchy of an organization into higher-level managerial positions, one's pay normally increases. White-collar workers often make more money than blue- or pink-collar workers. The rationale for the increased pay is that the higher-level manager has responsibility for decisions that can have a lot of impact on the earning power—or the productivity—of the organization as a whole.

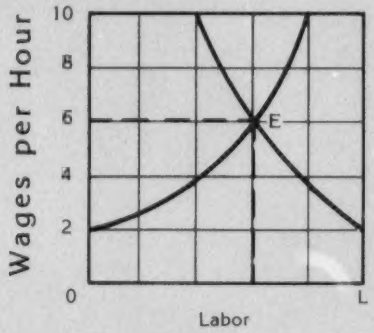
But productivity isn't the only determinant of wages. What are some of the other things that affect how much a worker is paid?

All other things being equal, if the supply of a particular kind of labor is limited in a competitive economy, then the wage paid for it will tend to rise. Or if the supply of labor increases, the wage will tend to fall.

(This explains why the medical profession has benefited financially by keeping doctors in short supply, and why trade unions have historically favored restrictions on immigration to the U.S. from other countries.)

"This explains why the medical profession has benefited financially by keeping doctors in short supply . . ."

In a competitive economy, both workers and employers strike a "bargain" on wage rates. Neither one can earn or pay what s/he would like. Instead, the demand for labor by a number of different employers acting independently will "bid" wages up to an **equilibrium point** where the wage rate paid absorbs the available supply of workers in a category.



From the employer's view, there is a stage when increasing the number of employees directly increases output and return. A farmer with limited acreage and a single tractor can perhaps double his daily output from 4 to 8 bales of hay by bringing on a hired hand to help bale the hay and stack it in the barn. This is the stage of **increasing returns**.

By adding a second hired hand, however, the farmer might increase his output by an additional 2 bales. Note that the first worker can increase output by 4 bales, but because of limitations on both land and equipment the second worker can increase output by only 2 bales. The farmer has reached **the point of diminishing returns**.

For major employers mass producing consumer goods for the huge American and international markets, the point of diminishing returns is as important a management factor (and wage determinant) as it is for Farmer John. Whether a company is in the stage of increasing or diminishing returns can have significant effect on how many workers are hired and how much each worker is paid.

technological methods—because **productivity** (output per worker) is higher. (Compare Japan and India, for example.)

Because jobs differ in their attractiveness, higher wages may be offered to coax people to do the less attractive jobs. (A garbage collector may earn more than a bus driver, for example, even though they both operate at similar skill levels.) Wage differentials that compensate for such non-money differences among jobs are called **equalizing differences**.

Two people with identical job titles may earn different wages because one is more skilled than the other, or has more

"Two people with identical job titles may earn different wages . . ."

seniority (time in the job), or is more favored by his/er employers, or is a victim of stereotyping and prejudice. (Women and blacks generally earn less than white males in similar positions.) Individuals can do something to change their skill levels; social movements are needed to alter large-scale discriminatory employment practices.

Is competition in the labor market perfect in our society?

No. If it were, wages would drop dramatically during times of high unemployment, and they do not. Many large employers (those in the auto industry, for example), have long-term labor contracts dictating that wage policies cannot fluctuate with the supply of labor.

If a worker in the U.S. feels that his/er wage or salary is too low, what options are open to him/er?

S/he can work through his/er union or professional association to [1] reduce the supply of labor in his/er field, [2] use collective bargaining power to directly raise the standard wage rate, or [3] cause the demand curve for his/er kind of labor to shift upward.

S/he can move to another area where there is more demand for his/er kind of work.

S/he can retrain and enter another, better-paid line of work.

S/he can convince his/er employer (or client, in the case of an independent professional) that s/he is more productive than other workers in his/er field earning the same amount of money, and is therefore worth a raise in pay (or fees).

If s/he believes that s/he is the victim of illegal discrimination, s/he can seek redress through government agencies and the court system.

(It may be illuminating at this point to contrast the American worker's options with those of workers in planned economies, where there may be a lack of competition for jobs and workers.)

Choosing An Occupation

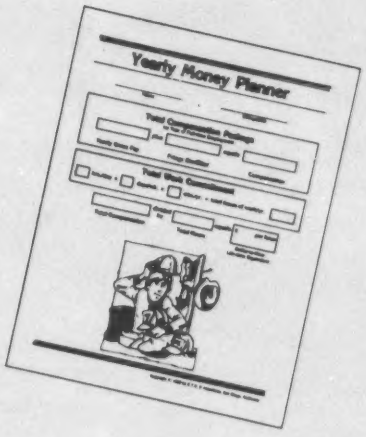
■ Armed with their research findings and the reassurance that their choice is one that they don't have to live with forever, the students should choose **one** occupation for their simulation role. They should assume that during the simulation they will be in their first full year of employment in that occupation. They

should make an informed guess as to their age when they enter the occupation. That will be their assumed age throughout the rest of the course.

■ It's wise to check to make sure that no student has planned a stupendous salary for him or herself that would distort the budgeting process to take place later. Ask each student in turn to stand and state his/er assumed occupation and first-year wage. Pare down any that are unreasonably high. Would-be doctors and lawyers, for example, can be instructed to assign themselves the pay of interns and law clerks—**not** the amount they expect to make when they get rolling in their professions.

■ Having heard what other students expect to be earning, some of your students may be concerned about their own starting wages. You can take advantage of this concern by describing a couple of ways that a person can increase his/er saleability on the labor market:

You'll remember that in an earlier lesson we said that, in general, a society can increase its productivity in only two ways: [1] by increasing its resource base, or [2] by increasing the efficiency with which it uses its resource base. As a worker, you're in a similar situation. If you want to increase your productivity (and your saleability in the labor market), you can either [1] increase your value as a resource (for example, by getting appropriate education or training), or [2] increase your efficiency. How might you plan to increase your productivity in the occupation that you've chosen for this simulation?



Yearly Money Planner

■ Distribute to each student a copy of the **Yearly Money Planner**, and have each student enter at the top of the **Planner** his/er yearly gross income and fringe benefits ("Total Compensation Package") for the first year of full-time employment. (If the student has been unable to determine the amount of likely fringe benefits s/he may use an estimate of 25% of the gross income for the fringe amount.)

The reason for having the student record these amounts is to encourage appreciation for those parts of total compensation that are not "seen" on one's paycheck, but nonetheless can buy things (such as medical care and income security) for one.

(Of course, if a particular student intends to be employed in an area or situation where employers do not supply "fringes," then that student should make no entries for employer-furnished benefits.)

What Are the Rewards?

■ Conduct a brief discussion of the "Rewards and Drawbacks of Working for a Living in the United States":

Did you choose an occupation principally because of the income you expect to earn from it? Why, or why not?

What other rewards besides money can a person get from working? Which would you expect to get in your chosen field?

What do you have to give up when you go to work for a living? What are the trade-offs?

Life-time for Money

■ Follow up this discussion with a mini-lecture introducing the concept of **felt-uneasiness** and the notion that **one must make exchanges of life-time in order to relieve felt-uneasiness.**

[See the notes at the beginning of this chapter for guidelines on the major points to cover.]

☐ *Let's imagine that my desk here is covered with lots of pairs of brand-new shoes. There are loafers and jogging shoes and cowboy boots and fancy-dress jobs. But they all have the same price tag—$40 each.*

And then let's say that a fellow who makes $4 an hour strolls up to me and says, "I kinda like that pair," pointing to the loafers. "How much are they?" "Forty dollars," I say. "No way!" he says. "Do you know how long I have to work to make $40?" How long does he have to work?

Over the next few hours I get a few more customers—someone who makes $8 an hour, someone who makes $10 an hour, another person who makes $20 an hour. How long would each of them have to work to earn a pair of my fine shoes?

Finally, a man who makes $40 an hour strides up to my desk display. "How much are these shoes?" he asks. "Forty dollars," I reply. Says he, "I'll take this pair and this pair and this pair and this pair and . . . "

What's the point of the story? ***The value of something to you is not the price tag, but the number of hours of your own work time that you have to exchange for it.***

☐ *Or let's take the case of Winfield, who was always in the market for some nice objects of art to improve the cultural landscape of his house. One Saturday he spotted a "garage sale" sign and went to investigate. Among the items on sale was a vast canvas propped up against a kitchen chair. It had been painted by Ermegarde, who was also running the garage sale.*

"How much is that painting," Winfield inquired of Ermegarde. "Three hundred dollars," she responded. "Hmmm," said

Winfield, and then went off to do his supermarket shopping.

Over the next week Winfield occasionally thought about the $300-dollar painting, which was anything but fine art—in fact, it was almost funny art.

Out of curiosity he went back to the site of the garage sale the next Saturday. The few items that remained on sale had been marked way down in price—with the exception of the painting, which still had its $300 price tag.

"Would you take $50 for that painting," Winfield asked Ermegarde. "Absolutely not!" she replied huffily. "Do you have any idea of how many hours I spent creating that painting?"

In other words, the amount of life-time that Ermegarde was willing to exchange to create the painting was different from the amount that Winfield was willing to exchange to acquire it.

The important conclusion for the students to come away with is that in taking jobs, they are exchanging some of their life-time for money, which in turn they can exchange in order to relieve a whole range of "uneasinesses" that they feel.

Dollar-to-Hour

■ Your students are now ready to calculate their own **dollar-to-hour life-time equivalents**. Again refer them to the **Yearly Money Planner** and direct them to:

☐ *Assume an 8-hour work day, a 5-day work week,and a 50-week work year. In other words, assume that you will work 2,000 hours in a year.*

☐ *Divide those 2,000 hours into the amount of your Total Compensation Package. The result will be the amount of money for which you can exchange one hour of life-time at work. Or to put it another way,* ***the result is the money value of one hour of your life-time as that hour is valued in the labor market.*** *This very signficant figure will be used throughout the remainder of the course in determining how much of your life-time each of you intends to invest in the things that you need and want.*

Summary of Life-time Costs

■ Distribute to each student a **Summary of Life-time Costs** form, and explain that entries on the form are all to be made in hours or fractions of hours of life-time to be spent over the course of a year. (Later on, dollar amounts will be converted to hours on the basis of the equivalency that they established earlier.)

■ Then guide them through making the following entries on the form:

✓ The dollar-hour equivalency should be entered at the top of the form, for later

reference.

✓ The 2000-hour assumption should be entered opposite "Working."

✓ Estimates should be made and entered regarding the time to be invested in life-maintenance activities like eating and sleeping and hygiene. (Allow plenty of time for students to do their figuring here, and expect some gasps of amazement!)

✓ A slop factor should be entered for unplanned time, unexpected events, and the like. (Let the students make their own decisions here, even if you think that they aren't allowing enough "slop." They can always make adjustments later on, when they become more sophisticated about 'the likelihood of the unlikely'!)

■ They can now compute the "Balance of Life-time Available for Goal-Seeking" in one year, the difference between the total year's life-time of 8,760 hours and the total to be spent on working, life-maintenance, and unplanned activities. This Balance is all that they have available for meeting the goals that they established in the previous unit.

Ladder of Goals

■ Have the students locate their **Ladder of Goals** worksheets in their notebooks. Tell them that they are now to allocate the "Balance of Life-time Available for Goal-Seeking" among the various goals that they set for themselves earlier.

They can allocate both literal time (actual hours from the Balance Available) and money-equivalent time to each of the goals. (For example, if to meet a "body strength" goal, they are planning to join a gym, they should allocate both the amount of hours per year that they'd spend in the gym and the time-equivalent of the money that they'd spend on membership and other fees.)

The activity of filling in the **Ladder of Goals** consumes quite a bit of life-time itself; you may prefer to assign it as homework rather than devote class periods to it.

Insights

■ After the life-time amounts have been entered on the **Ladder of Goals** form, have each student add up the total number of hours to be dedicated to goal-seeking and compute the number of **years** that those hours represent. Go around the class, calling on each student in turn to report his/er number of years of life-time to be spent on goal-seeking. There may be some outrageous amounts! These can serve as jumping-off points for talking about realistic vs. unrealistic aims in life.

■ Finally, hold a whole-class discussion of the insights that the students have derived from this unit's activities.

Do You Take This Domestic Associate?

Student Objectives

Upon completion of this unit, the student should be able to:

- explain the legal significance of the marriage contract
- list the legal rights and responsibilities of spouses
- define and use correctly the following economic terms: *community property* and *separate property*
- apply the technique of paraphrasing to demonstrate concerned listening
- compromise on personal goals in order to share in higher-priority social goals

Teacher Preparation

- Contact your local or state Bar Association or other sources to obtain basic information about domestic law in your state.
- Prepare a lecture or discussion outline on the topic of domestic law.
- Gather together props and music (optional) for simulated marriage ceremonies.
- Practice paraphrasing with a friend or colleague so that you will be able to demonstrate it.
- Reproduce sufficient copies of the *Ladder of Goals* form for distribution of three to each student (for joint goal-setting).
- Reproduce sufficient copies of the *Personal Assets & Liabilities* form for distribution of one to each student.

Time Frame

Approximately 4 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
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For Love . . .

For many students this unit will be the romantic high point of the course. They list their personal preferences, catalog their assets and liabilities, get matched up with a fellow (or non-fellow) student, and enter into a simulated marriage or roommate arrangement. The drama of it all can be very stimulating.

. . . and Money

There is more to arranging for these coupleships than entertainment value, however.

In a sense the student couples simulate microcosms of larger social units. And in any social unit, productive economic activities can occur only when individual values are adjusted to become compatible with the values of other individuals, thus creating a society possessing group values (e.g., American values, Chinese values, General Motors values, Democratic Party values, family values). Making budgeting decisions as couples, your students will learn vital lessons in how to adjust individual values to meet shared (social) goals.

At the same time, the values that they are **not** willing to compromise will become much more apparent when contrasted with someone else's viewpoint. What is dear becomes really clear when someone (like your simulated spouse) suggests that maybe you should give it up!

It's Reality Based

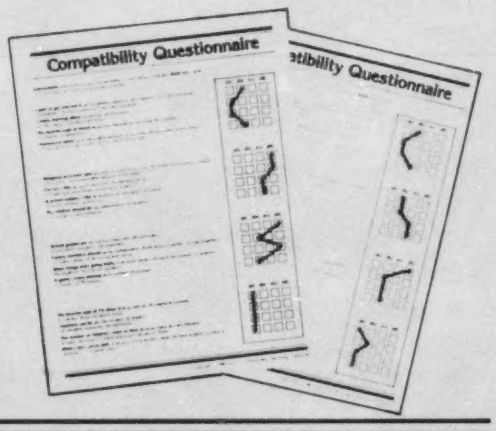
Of course, one of the strongest arguments for learning to adjust individual values is that it is based in reality. The great majority of your students cannot expect to be living alone for most of their adult lives, but rather to be married or sharing a home with another person or other people. Even if sexual attraction and sociability didn't incline people in this direction, the current economics of the housing market would!

Matchmaking

At the beginning of the course your students completed the **Compatibility Questionnaire**. Here is a way that you can use the **Questionnaires** for matchmaking—keeping in mind that the procedure is not exactly scientific.

Sort the **Questionnaires** into two piles: those indicating the traditional-marriage preference and those indicating the roommate preference. Then sub-divide each of the piles by sex. Opposite-sex pairings will be formed for the marriage group and same-sex pairings for the roommate group.

A fairly easy way to make the match-ups objectively (without bringing your own Cupid tendencies into play) is to look for patterns in the answer columns. (See illustration.)



Of course, the mathematics of matchmaking will not work out if there is an odd number of students in either category or more of one sex than the other opting for the marriage preference. These problems can be solved by shifting extra "maritals" into the roommate category and by allowing for one three-roommate household. You can explain to the students that inflexibility of arithmetic has to take precedence over freedom of choice in such cases.

"They won't have to live with the problem for a lifetime."

Preliminaries

To launch this unit, it is advisable to:

■ Explain to the students that they will be matched up so that for the remainder of the course they can make decisions both as individuals and as members of social units. Give them the rationale for this matchmaking in terms of what they can expect to learn from it. Reassure them that if they should unfortunately get **mis**-matched with someone, they won't have to live with the problem for a lifetime—just for the rest of the semester. And misfortune as well as good fortune has its lessons to teach.

■ Check to make sure that all students have completed the **Introduction Sheets** and the **Personal Assets & Liabilities** forms. Remind them to bring these completed worksheets to class over the next few days, as they will be sharing them with their mates.

The Big Announcement

And now for the moment they've all been waiting for:

■ Announce the pairings, and be prepared for some commotion as your students express (or try to conceal) their anticipations and anxieties. You may have to restrain some teasing by mentioning how much work each couple has to look forward to.

■ This is the time to rearrange the seating in the classroom so that the pairs can sit together for the remainder of the course. Give the pairs a little time to chat informally before continuing the lesson.

THE BIGGER PICTURE: Domestic Law—The Economic Rights and Responsibilities of Marriage Partners

The class period before the simulated marriage ceremony is a good time to lecture on and discuss the subject of domestic law and the kind of contract that one enters into when one marries.

■ You can cover such points as:

- The legal significance of the marriage contract.
- The legal rights and responsibilities of each spouse.
- The legal definitions of **community** and **separate** property within a marriage.

You should find your students very interested in this subject with their "weddings" in the offing.

Because domestic law varies from state to state, no detailed guidelines for your lecture are given here, but you might get assistance from your local or state Bar Association.

In California, teachers can obtain ideas from the Orange County Legal Education Program, co-sponsored by the Orange County Bar Association and the Orange County Board of Education. The address to which you can write for information on this program is given in the **Resources** section of this guide.

The Marriage

As for the simulated marriage ceremony itself, you can make it as simple or as elaborate as class time, available resources, and your own teaching style allow.

Couples might costume themselves to dignify (or ham up) the occasion. And you may want to have some kind of celebration to simulate a reception after the ceremonies are concluded.

Heightening the drama this way takes time, but it also can help motivate the students to dig into the hard work of budgeting that lies ahead of them.

"By the power vested in me as the instructor of this class, I now pronounce you simulated domestic associates."

The Standard Simulated Ceremony

Here is how you might conduct the ceremony:

■ Have each pair of students stand together before you at the front of the classroom. Instruct them that each individual is to answer "I do" to the following question:

Do you _____ *(first student's name)*
take _____ *(second student's name)*
to be your simulated domestic associate, to pursue with you those activities assigned by your teacher; to honor and respect him/er from this day on; for better or for worse; for richer or for poorer; in sickness and in health; through class time and homework; 'til the end of the simulation do you part?

Do you _____ *(second student's name)*
take _____ *(first student's name)*
to be your simulated domestic associate, etc.?

Please signify your agreement to this solemn contract by kissing on both cheeks or by shaking hands.

By the power vested in me as the instructor of this class, I now pronounce you simulated domestic associates.

(The use of wedding music is optional.)

Paraphrasing

Pomp and circumstance behind them, your students must now address the demanding job of negotiating their partnerships. To get them started, it's wise to give them some training in communication skills.

The reason for this, and for the other communication-skills practice sessions provided periodically throughout the course, is to try to ensure the shared decision-making process that is the key to learning from the simulation. If one or both members of a pair clam up when the going gets sticky, the two students won't be able to learn what joint goal-seeking is all about.

■ The first skill to be practiced is the skill of paraphrasing, which is a way of showing another person that you are really hearing what s/he is saying to you. To coordinate this session, you can direct the students to form small groups of two couples per group, and tell them:

☐ *Sometimes getting along with someone else isn't easy. Today you will be learning and practicing a technique that will help you communicate better one-on-one. You should find it very useful in your "real lives" as well as in this marriage simulation.*

☐ *While one pair in your foursome practices the technique, the other pair will watch and listen to make sure that the instructions are being followed. Then the first pair will watch and listen to the second pair during practice.*

☐ *The technique that you're going to practice is called* ***paraphrasing****. It's a way of letting another person know that you really hear and are trying to understand what s/he's saying. To do it, don't just*

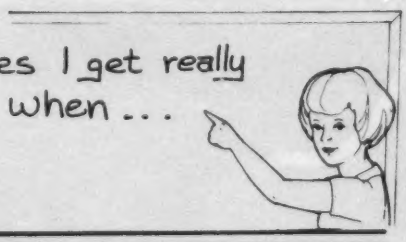
parrot what the other person says to you; instead, put into your own words what you think the other person is trying to express.

For example, if Mary says to me, "I think my father's the greatest man in the world," I might paraphrase by saying, "You really admire your father."

It's not hard to paraphrase. It just takes some discipline to pay more attention to what the other person is saying than to what you want to say next. It's worth the effort because it makes people relax and trust you more. They become better able to express their true feelings when they think that their remarks are being heard without distortion.

☐ *I'm going to put an unfinished statement on the chalkboard, and then give you some directions.*

Write:



☐ *Decide which one of you will speak first. That person should think for a few moments about the unfinished statement, and then use it as the basis for making a completed statement to his/er partner. The partner should then respond with a paraphrase.*

☐ *If the first person isn't satisfied with the paraphrase, s/he should try to say the same thing again in a different way. And the partner should try a second paraphrase.*

☐ *Continue to talk in this fashion until you've exhausted the topic. Then, exchange roles and deal with the next unfinished statement that I'll write on the board. Continue alternating being the first to speak until you've dealt with all the statements on the board.*

☐ *When you're through with your discussion, check with your monitors to see how they think you did.*

☐ *Then give the monitors a turn at going through the sequence.*

Other Unfinished Statements

While the couples begin talking about the first statement, write the other unfinished statements on the board:

I have a lot of respect for someone who . . .

My idea of having a really good time is . . .

My attitude toward money is that . . .

Five years from now, I hope that I'm not . . .

If I'm having a hard time deciding the right thing to do . . .

Right now, talking to you, I feel . . .

During the communication exercise, you can also circulate around the room to assist any partners who may be having difficulties and to reinforce good performances with praise.

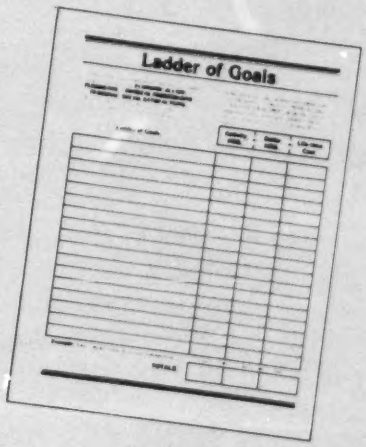
Encourage Sharing

With this new communication skill in their repertoires, the students can now begin sharing in earnest.

■ Have them sit again as couples and discuss their responses to the **Compatibility Questionnaire** and **Introduction Sheets**. Recommend that they continue to practice paraphrasing as they talk, and encourage each student to request a paraphrase whenever understanding is in doubt.

Determining Joint Goals

Having gotten better acquainted, the pairs can launch the ongoing process of shared decision-making.



■ Distribute fresh copies of the **Ladder of Goals** form, and tell the students that each united pair's first task is to devise a joint **Ladder of Goals**. To do this they will probably need to compromise. They must:

✔ Determine at least one goal in each category that they will strive to reach together.

✔ List their strategies for reaching their joint goals.

✔ Assign "life-time" hours to their joint goals.

✔ Agree on which individual goals (with their related strategies) will have to be eliminated or reduced in order to make "life-time" available for achieving any new joint goals.

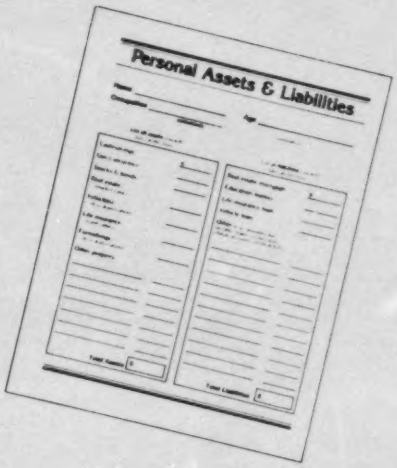
Throughout this activity they should continue to practice paraphrasing.

Allow ample time for negotiation of the **Joint Ladder of Goals**. At this time the partners will be laying the philosophical foundations for their future "lives" together in the realm of consumer economics.

Financial Worth Matters

The last activity of this unit is somewhat less arduous than the previous one.

■ Distribute fresh copies of the **Personal Assets & Liabilities** form and instruct the pairs to draw up joint statements of their assets and liabilities at the beginning of their make-believe association.



(This document can serve as an introduction to the development of a **Year-end Balance Sheet** through activities in later units. A final joint balance sheet will reflect each married pair's simulated net worth at the end of the simulation.)

'Til Taxes Do You Part

Student Objectives

Upon completion of this unit, the student should be able to:

- define and use correctly the following economic terms: *gross pay, take-home pay, fixed expenditures, flexible expenditures*
- list the deductions from gross pay that are mandated by law
- complete a *Form W-4: Employee's Withholding Allowance Certificate*
- use payroll tax tables to determine federal, state, and local income taxes applicable to a given pay
- describe in general terms what federal income taxes pay for (the major categories of the federal budget)
- describe in general terms what state and local taxes pay for
- describe the benefits provided to workers by FICA, Unemployment Insurance, Worker's Compensation, Disability Insurance
- calculate life-time contributed to income taxes
- calculate take-home pay

Teacher Preparation

- Obtain classroom reference copies (approximately one copy per six students) of *IRS Circular E: Employer's Tax Guide, State and/or Municipal Withholding Tax Tables* (available from the governmental tax departments).
- Obtain copies (one for each student) of *Your Social Security* (available from your local Federal Information Office, the Social Security Administration, or the U.S. Government Printing Office) and *IRS Form W-4* (available from the IRS).
- Obtain from the appropriate government agencies reference copies of brochures that describe Unemployment Compensation, Worker's Compensation, and Disability Insurance programs.
- Reproduce sufficient copies of the *Monthly Budget* for distribution to all students (extra copies will come in handy).
- Make up a True/False quiz on the topic of government-sponsored employee insurances.

Time Frame

Approximately 3-4 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Paychecks and the Law

In this unit the couples begin developing monthly budgets for their simulated households. They deal with the first expenditures from anyone's pay: those mandated by law.

The couples learn about the different kinds of taxes that are deducted from paychecks and what some of those taxes buy for them.

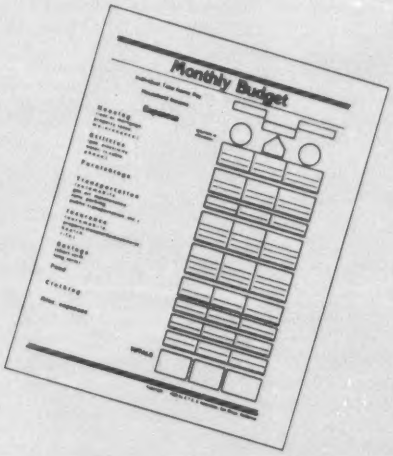
They also learn about government-sponsored insurance programs that are financed by required employer and employee contributions. They determine the amounts of those contributions and research the benefits that the contributions buy.

And they calculate the life-time costs of both taxes and payroll-based insurance contributions.

"They determine their Take-Home Pay, the amount over which they will be able to exercise some degree of budgetary control."

And at the conclusion of the unit, they determine their Take-Home Pay, the amount over which they will be able to exercise some degree of budgetary control.

■ You can introduce this unit by reviewing the topics to be covered and the sorts of calculations that the students will be making (as described below). Tell them also that they will be adding another "hat" or role to their repertoires. They've visualized themselves in the roles of consumer and of producer. In imagining themselves as taxpayers, they'll be assuming the role of **citizen** as well.



Monthly Budget

■ Distribute copies of the **Monthly Budget** form and tell the students that they are going to begin the thoughtful process of filling in the blanks. They should work in pencil because they will be developing a "working budget," subject to many changes.
Each student in a pair should retain a notebook copy of the **Monthly Budget** with entries that match his/er partner's.

■ Point out that certain types of expenditures are **fixed** and others are **flexible** with regard to whether they vary in amount from month to month. They are to identify each of their budget entries as being either a **payment** (for a fixed expense) or an **allowance** (for a flexible expense).

In the case of a payment, the actual amount spent in a month will always be the same. In the case of an allowance, more or less than the allowance amount may actually be expended in any given month.

Indirect Money Control

And the most **fixed** of all expenditures that will ever be made from their total compensation packages are the expenditures that are mandated by law: deductions for payroll taxes and contributions to government-sponsored employee insurance programs. Any control that they will have over these expenditures is indirect control—through their votes for representatives who design the tax laws, or by working through organizations that lobby for legislative changes.

Sharing Information (and $)

■ Students made individual determinations of their Yearly Gross Pay figures in the previous unit. Now is a good time for couples to exchange with each other information on their incomes and to make the appropriate entries at the top of the **Monthly Budget**. Note that in order to obtain the monthly income figures, they will have to divide their yearly amounts (from the **Yearly Money Planner**) by 12.

Choosing an Identity Sign

■ Point out to the students that the budget-form columns have spaces at the

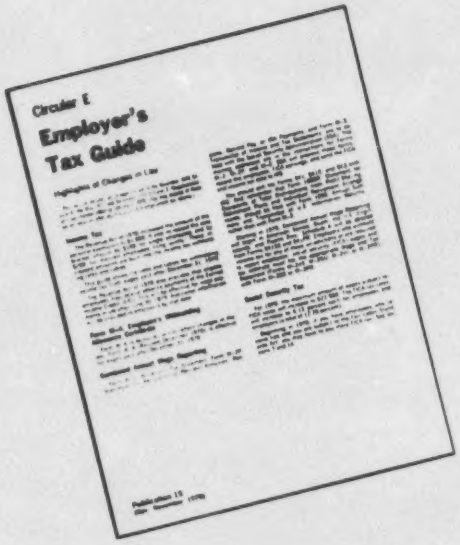
top for identity signs. These signs will distinguish the two partners from each other. They can write in initials, draw in faces, create symbols, or whatever they wish. The house-shaped symbol at the center of the form labels the column containing joint household expenses.

Form W-4

■ Next, give each student one copy of IRS **Form W-4: Employee's Withholding Allowance Certificate**. Tell them how this form is used by employers, and give them time to read the instructions and fill in the blanks. (If you think they may be confused by the instructions for determining withholding allowances, you should review the key points orally.)

- **Allowance(s) for exemptions**
- **Special withholding allowance**
- **Withholding allowances based on tax credits**
- **Withholding allowances based on itemized deductions**

■ Circulate among them to trouble-shoot as they are reading and filling in the blanks.

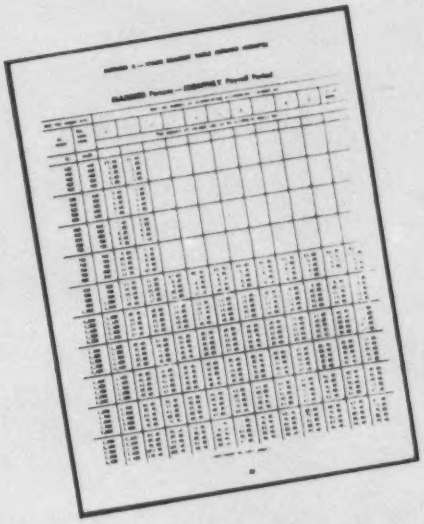


Circular E

■ Hand out reference copies of IRS **Circular E: Employer's Tax Guide**, about one copy to every six students (they can share and help one another look up figures).

Tell the students to assume that they will be getting paid monthly. They should locate in the "Withholding Tax" section of the **Tax Guide** the columns that apply to their payment period and the number of exemptions determined on the W-4 form.

They should locate the amounts that they can expect to have deducted from their pay each month for federal income tax and enter those amounts (one amount for each partner) on the Federal Income Tax Deduction line of the **Monthly Budget**. Be prepared to hear a lot of grumbling after this has been done!



State & Local Withholding Taxes

■ Referring to **State** and/or **Municipal Withholding Tax Tables**, the students should make determinations and entries similar to those made for federal income tax.

THE BIGGER PICTURE: What Your Taxes Pay For

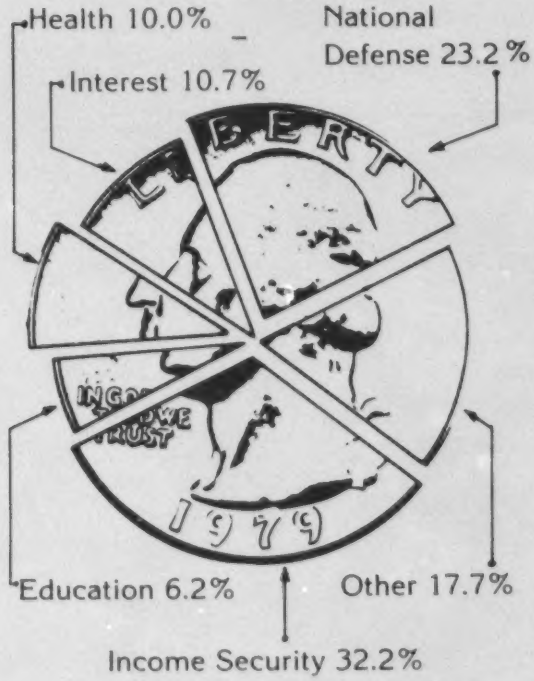
By this time, your students should be impressed by the amounts that will go into taxes before they even see their paychecks. To make more concrete what are commonly invisible expenditures, you can give a mini-lecture on "What Your Taxes Pay For."

Your students should be impressed by the amounts that will go into taxes before they even see their paychecks."

■ You might begin by saying:

Governments directly affect our economy in two important ways: First, they control

how we use many of our productive resources. Government regulations set limits and establish rules for much of the private sector's use of land, labor, and capital. Second, governments collect taxes, then spend the funds to provide services defined by our national goals—schools, highways, national defense, etc. Some of these funds seek to alter the distribution of income. How much control the government should have in either of these areas is a continuing economic issue in our society.



National Budget

■ With a chart like that given above, on the chalkboard or projected from an overhead transparency, you can discuss the major spending categories of our national budget. Encourage your students to contribute specific examples of expenditures in each of the categories.

■ You can also look at the portion of the federal budget that is financed through deficit spending, referring to current treatments in the media of issues related to balancing the federal budget.

■ A discussion of what state and local taxes pay for can cover services such as education (schools, state universities, and community colleges), libraries, streets and highways, mass transit, parks and other recreation facilities, hospitals and other public health services, and public assistance to the needy. You might ask them, as 'consumers of government,' which services they value the most and which the least—and why.

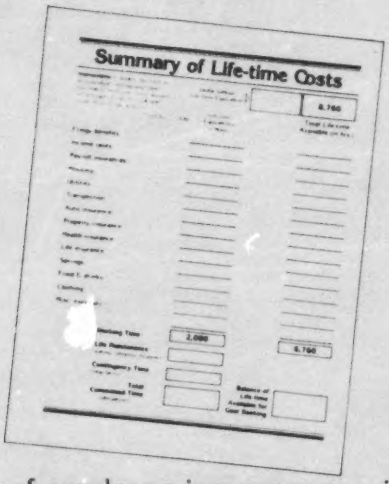
■ It will be very illuminating for them to calculate (working on their own notebook paper) their life-time contributions to each major category of federal spending and to some of the state and local budget categories funded by income taxes. For instance, how many hours a year do they have to work to support the country's national defense budget?

The Life-time Costs of Taxes

■ The yearly totals in life-time hours spent on taxes are to be entered on the appropriate lines of the **Summary of Life-time Costs**.

THE BIGGER PICTURE: You Have to Buy Insurance from Uncle Sam First

Another mini-lecture is useful at this time to help students understand the general



nature of employee insurance provided through government programs.

■ Explain to the students:

There is a difference between having a portion of your taxes used to finance health and welfare programs for the poor, and making a payroll contribution specifically designated for the benefit of employees. What we're dealing with here are **programs for the benefit of employees**.

"What we're dealing with here are programs for the benefit of employees."

F.I.C.A.

One of the first deductions from gross pay that shows up on your paystub is a deduction for F.I.C.A. ***F.I.C.A.*** *stands for the "Federal* ***Insurance*** *Corporation of America," and F.I.C.A. (commonly called* ***Social Security****) contributions cover more than retirement. Social Security also provides monthly income for a worker who becomes severely disabled before age 65. And it may make monthly payments to certain dependents of a worker who has retired, become disabled, or died.*

Unemployment Insurance

Employers make direct contributions on behalf of their employees into state and federal ***Unemployment Insurance*** *funds. Although these contributions do not show up as deductions on your paystub, they are based on a percentage of your pay and therefore, in a sense, they are part of your total compensation package. You can collect benefits when you are unemployed through no fault of your own.*

Worker's Compensation

The employer also usually makes payments into a state-regulated ***Worker's Compensation Insurance Fund****. This kind of insurance pays you a portion of the amount of your regular salary if you are injured or if you contract diseases as a result of your employment.*

The premium rates are based on the frequency and severity of occupational accidents experienced in each job classification for which an employer hires covered workers.

Typically, worker's compensation benefits cover medical and hospital bills and a portion of wages lost during temporary disability. (In cases of permanent disability, the state fund may make a lump-sum settlement; and, of course, you are eligible for permanent-disability income through federal Social Security as well.)

Disability Insurance

In addition to Worker's Compensation, some states have ***Disability Insurance*** *programs that pay benefits when you are temporarily disabled by a sickness or injury*

*that is **not** caused by your job.*

Disability insurance is usually paid for by a deduction from your gross pay. The amount of the deduction should be shown on the paystub.

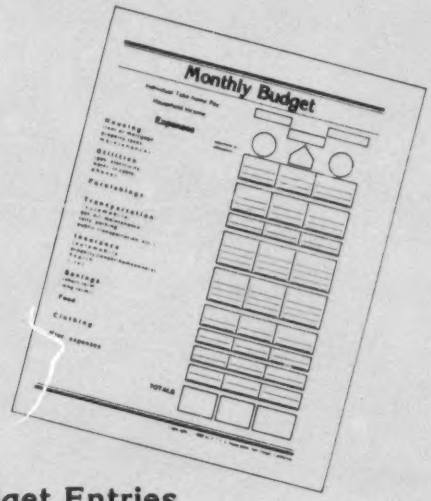
"It's important to remember that a good portion of the insurance you need to feel secure in life is already paid for by the time you get your paycheck."

It's important to remember that a good portion of the insurance you need to feel secure in life is already paid for by the time you get your paycheck. That doesn't mean that you won't need to buy more insurance to cover some other areas and to supplement government-sponsored insurances. But it does mean that when the insurance salesman comes to call, you should realize that in the areas of retirement insurance, life insurance, disability insurance, and unemployment insurance you are not starting from scratch. This point will be relevant to a later unit on the topic of life and health insurance.

Employee Insurances Quiz

■ Distribute copies of **Your Social Security** and any brochures that you have been able to obtain from state agencies that handle employee insurances. Assign studying these pamphlets as classtime reading or as homework, telling the students to prepare themselves for a brief true/false quiz on their readings.

■ Make up and administer a brief true/false quiz on government-sponsored employee insurances, including questions on both employer and employee contributions. This quiz can be given orally, with the students simply writing **T** or **F** opposite question numbers on their own notebook paper. Answer sheets can be exchanged with other students or handed in for grading.



Budget Entries

■ With increased understanding of what the amounts represent, the students are ready at this point to make all of the payroll-related insurance entries on the **Monthly Budget**, and then to determine the percentage of Gross Pay represented by total Payroll Deductions.

■ A subtraction of the Payroll Deductions from Gross Pay gives them their Take-home Pay—a figure from which they'll be subtracting continually through the rest of the course!

Life-time Costs

The last task of this unit is to calculate the life-time costs of payroll contributions to government-sponsored insurance programs.

You Have to Have a Habitat

Student Objectives

Upon completion of this unit, the student should be able to:

- describe his/er preferred lifestyle and a living space suited to it
- do a functional analysis of his/er living space in terms of the activities that take place there
- draw a rough floor plan for his/er home and compute the square footage
- indicate a procedure for researching the availability of housing
- discuss the effects of supply and demand on the real estate market
- define and use correctly the following economic terms: amortization, principal, interest, security deposit
- list and define at least three methods of financing a home
- discuss the pros and cons of buying versus renting a home or apartment
- determine whether a given type of housing is affordable at his/er income level
- explain the difference between rental and lease agreements using proper terminology

Teacher Preparation

- Arrange for a real estate agent to speak to the class
- Make a copy of the real estate agent's *Guest Speaker* guide, fill in the arrangements section, and send it to the agent in advance of the speaking date.
- Contact your sponsor-bank representative to obtain about a dozen copies of an *Amortization Schedule* for a home mortgage. Reproduce reference copies.
- Contact your local property-tax agency to obtain about a dozen copies of current *Real Estate Tax Tables*.
- Reproduce sufficient copies of the *Year-end Balance Sheet* for distribution to all students.

Time Frame

Approximately 6 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Lifestyle Living Spaces

This unit gives your students opportunities to flesh out their projected lifestyles and to try to match their lifestyles to the living-space options available to them.

They analyze the activity patterns likely to take place in their homes, draw floor plans to suit, and research the real estate and rental markets to discover what is available and what they can afford. They learn how the laws of supply and demand apply to the housing market in these times of rising prices. And they get a brief exposure to some alternative methods for financing home buying that have recently been introduced. So their trade-off discussions and their final decisions are based on a lot of prior fact-finding and analysis.

Near the end of the unit there is a short lesson on the legal features of rental and lease agreements. The unit concludes with the students' doing the appropriate calculations and making entries for Housing on the **Monthly Budget**, the **Year-end Balance Sheet**, and the **Summary of Life-time Costs**.

Dream Drafting

■ A good way to begin this unit is to have each pair of domestic associates design their dream habitat. Let them

"Let them fantasize in detail about the kind of lifestyle they'd like to lead."

fantasize in detail about the kind of lifestyle they'd like to lead, and the space they would need for it.

Supply the students with plenty of blank sheets of paper for drafting their dreams, or let them use their own notebook paper. Lead them through the following steps:

In this unit you will buy or rent a habitat. In order to do that you will have to learn many things about each other, about the housing market, and about what you can afford. But first you should just fantasize.

What kind of lifestyle do you want to lead? What kind of living space will you need? Do you want a big yard? Are you willing to pay to have a view? Do you plan to spend a lot of time at home? To do a lot of entertaining?

"Do you want a big yard? Are you willing to pay to have a view?

☐ *Talk with your partner about the kind of lifestyle you would like to have together. What would you like to be doing before and after work hours on weekdays? On weekends? What would you be doing as a pair? As parent(s) and child? As individuals? Make a list of the activities that are the most important to you, both individually and as a pair.*

There's No Limit

☐ *What would be the role of a habitat in your lives? Don't limit yourselves now to any particular kind of place like a house or an apartment. Instead, make a list of the*

"Make a list of the activities that you would like to have take place in your habitat."

activities that you would like to have take place in your habitat. These could include

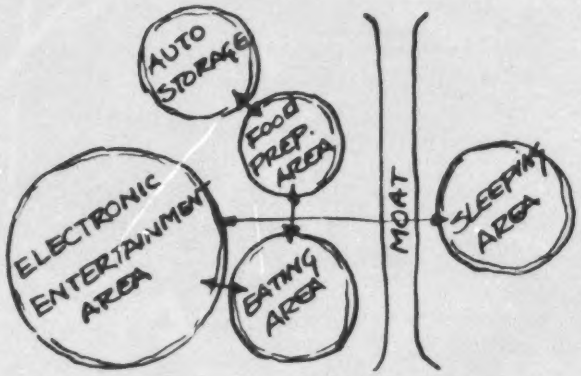
such things as eating, sleeping, watching TV, storing food and clothing, parking your car, playing tennis, sewing, and gardening.

☐ *Now, working from the lists you have made, group together the activities that could be performed in a similar area. For example, all the activities involved in storing and preparing food might be grouped into a "Food Preparation Area."*

Spaced Out

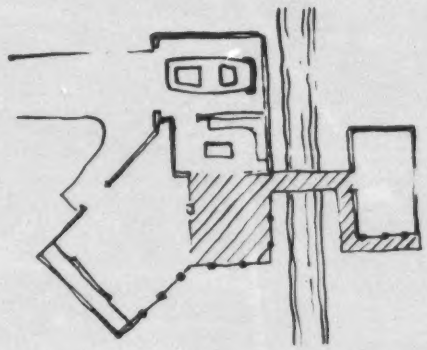
☐ *Decide how much space you would want for each area. Name the areas and indicate the amount of square feet required. For example, you might name an area where you'll watch TV, play computer games, and listen to your stereo the "Electronic Entertainment Area," and you might allot 80 square feet to it.*

Many students will probably not have a very good conception of space. One quick way to help them is to have them pace off or measure the classroom, the school cafeteria, or other rooms at school and at home. This kind of activity will give them visual comparisons to help them figure out what size the rooms in their new homes should be.



☐ *By making circles or other shapes on your paper, indicate the relative sizes of the areas, and how they could be located in relationship to one another. For example, the "Food Preparation Area" might be located close to the "Eating Area."*

You can help the students here by putting on the chalkboard a model illustration like the one given above.



Draw a Floor Plan

☐ *Based on the information you've put together so far, draw a rough floor plan of your dream habitat. Put into your plan the major pieces of furniture and appliances—like beds, a stove, and a refrigerator—that you think you'll need for the lifestyle that you want to live. Don't forget to include doors, windows, hallways, and utility rooms.*

"Don't forget to include doors, windows, hallways, and utility rooms."

☐ *The last thing to do with your floor plan is to calculate the minimum number of square feet that you'll need in your habitat. To make this measurement, you'll need to determine the number of square feet in each of the enclosed spaces or rooms.*

Then add up these numbers to get the Square Footage of the Whole Habitat. (Each student should keep a copy of the floor plan in his/er notebook. It will be added to in a later unit.)

Your Surroundings

☐ *Now that you have a good idea of what you want* ***inside*** *your habitat, the next thing to think about is what kind of* ***surroundings*** *you want to have. What kind of neighborhood do you want to live in? Do you want to live in or near a city, or out in the country? Do you want to have drug stores, movie theatres, country clubs, or railroad stations near your habitat?*

Working with your partner, make a list of the Neighborhood Niceties you'd like to have near your home. A few more examples of what you might take into consideration are public transportation, schools, shopping centers, and swimming pools.

"Do you want to live in or near a city, or out in the country?"

Can You Get What You Want?

☐ *Now that you know exactly what you want, the time has come to find out if you can get it. The next class period we're going to have as a guest speaker a real estate agent. The agent will talk to you about the current situation in the real estate market and give you some of the pros and cons of the different options for buying or renting a habitat in our town. Come to class with some questions to ask the agent. You might want to talk with your parents or other people who have had experience in buying and renting homes to get some ideas about what to ask.*

Researching Realities

It is time for dreams to be tempered by realities. There is the reality of the kinds of housing that each student can afford. There is also the reality of what kinds of housing are available in their locale. (A couple might decide to live in a mobile home only to discover that there are no available mobile-home-park spaces in town.)

"It is time for dreams to be tempered with reality."

■ If you are able to arrange for a real estate agent to speak to your class, the agent can very quickly give the students a sense of what their options are.

If it's convenient, it's a good idea to tape record each guest speaker's talk. You can use the recordings for make-up work by absent students, for review by other students, or in the event of a guest

speaker's "no show" at another class time or next year when you give the course again. If your school has the requisite equipment, videotaping would be even better.

The agent should follow the guidelines that were furnished to him/er before the class meeting, covering matters such as the categories of rental and purchase units, local market conditions, techniques for doing a preliminary search for housing, the legal and financial procedures for renting or buying a home, and the tax implications of home ownership.

If the real estate agent strays too far from the guidelines, try to raise questions near the end of the talk to make sure that the most important points are covered. Encourage the students to ask their questions too.

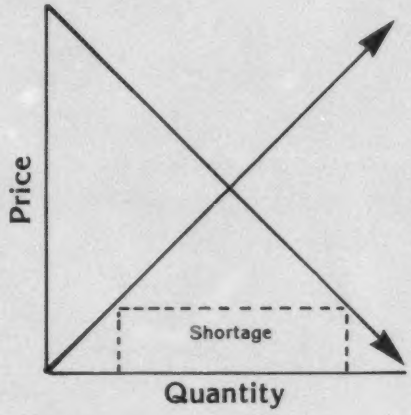
■ After the agent's talk, assign as homework browsing through the real estate section of the newspaper, checking for property prices and rental listings. Explain that there will be a class discussion at the next meeting to review the real estate agent's talk, and to share what they found in the paper.

The more adventurous students may want to visit real estate offices to look at bulletin boards, to attend open houses, and to visit model suites in condominiums or apartment buildings. As they become more aware of housing costs, some students may even get intrigued by non-traditional habitat options—like tents!

"Some students may even get intrigued by non-traditional habitat options—like tents!"

THE BIGGER PICTURE: Supply & Demand in the Real Estate Market

With the prices of buying and renting housing fresh in their minds, your students should be primed for a discussion of the effects of supply and demand on the real estate market. You can review the concepts covered in the first unit, and then put on the chalkboard a chart that illustrates the effect of a shortage situation (more demand than supply) on prices:



Then discuss the effects that housing shortages have had on the prices of

homes and on the rental costs of houses and apartments:

In the past few years high interest rates (which builders must pay) have caused a steep decline in the construction of moderately-priced homes. Due to this decline, the homes that already exist have become more valuable, and therefore more expensive.

"High interest rates have caused a steep decline in the construction of moderately priced homes."

People who would rather buy houses are now being forced to settle for townhouses, condominiums, and mobile homes. Some people are buying homes that aren't yet finished for less money, in the hope of putting on the final touches when they can afford to.

A lot of people are having trouble qualifying for the usual fixed-interest 30-year loans for home buying. To give these people a better chance of being able to buy homes, bankers and mortgage brokers are now coming up with alternative financing methods. A few of these methods

"Banks and mortgage brokers are now coming up with alternative financing methods."

are [write the name of each type on the chalkboard as you define it]*:*

Graduated Payment Mortgages. *Monthly charges on the loan are increased over the years on the theory that family income will also increase over those years.*

Variable or Renegotiable-Rate Mortgages. *Monthly payments are adjusted up or down from time to time to keep pace with the level of interest rates in the economy.*

Owner Financing. *In this case the buyer borrows money directly from the person who is selling the home.*

Shared Appreciation Mortgages. *The buyer receives a mortgage rate that is quite a bit lower than the prevailing interest rate. The buyer agrees, in return, to give the lender a certain percentage of the profit when the home is sold.*

Questions that you might raise at this point include:

Q. *If demand is greater than supply, why aren't more homes made available?*

Q. *How are the laws of supply and demand operating to affect prices in the following areas: land, construction materials, loan monies?*

Encourage your students to bring to class and share newspaper and magazine articles about the current number of housing starts, the supply of home-loan

monies, and prevailing interest rates for home mortgages.

(All during the research phase of this unit, your students should be taking notes and keeping a log of their findings and reactions to their discoveries.)

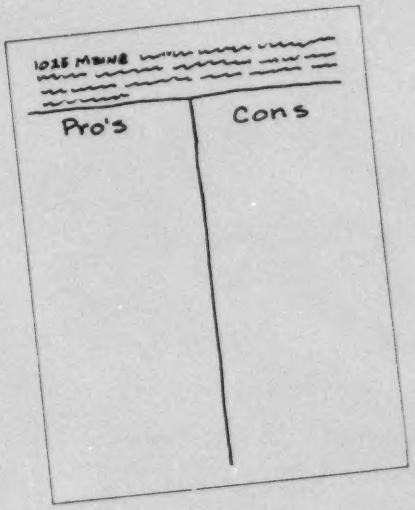
Making Trade-offs

This phase of the unit gives the couples a chance to organize and review their research findings. They should get together and read through their notes, discuss the pros and cons of the various options that they have, and make trade-offs. You can lead them through this phase by giving them instructions like these:

☐ *You have had opportunities to explore the kinds of housing that are available in our town. And you have some good notions of the relative costs of the different kinds. You probably have also narrowed down the field to a few good choices. What I'd like for you to do now is to get together as couples or pairs to analyze your findings.*

☐ *What specific habitats that you've seen are worth considering further? Describe (including address) each one at the top of a separate piece of notebook paper, along with its square footage and its approximate cost per month to buy or to rent.*

☐ *Now, draw a line down the middle of the paper, and label the left-hand column* ***PROS*** *and the right-hand column* ***CONS****. Working together, list everything you like about the option in the* ***PROS*** *column and everything that you don't like about it in the* ***CONS*** *column. For example, you might put "built-in dishwasher" in the* ***PROS***



column and "no shopping nearby" in the ***CONS*** *column.*

☐ *The next step is to put these housing-choice sheets in order, from the most desirable to the least desirable. Remember to consider the relative importance of the different PROS and CONS you listed. A habitat with three PROS and five CONS might be more desirable than one with three PROS and one CON—if that one CON is "no inside plumbing"!*

"A habitat with three PROS and five CONS might be more desirable than one with three PROS and one CON—if that one CON is 'no inside plumbing'!"

☐ *Is your top choice the most expensive? How do you know if it's too expensive for you? It's hard to know until later, when you've worked through more of your total budget. You'll be moving right along in this course, and you can change your mind about housing later, when you know more about all the things you're going to need and want.*

But for now, here's a rule of thumb: Many budget counselors advise that a family not spend more than 30% of its gross income on shelter—and that figure is on the high side. So if any of your top habitat choices go over that limit, you may want to eliminate them at this time. Or you may want to stick with luxury shelter for now, and decide what you'll have to give up later in order to afford it.

☐ *In making decisions like what kind of shelter to buy or rent, you often need to make trade-offs. You need to give up something you want in order to get something you want a lot more. To put it another way, you weigh alternatives to see which one gives you the least "felt-uneasiness," even though it doesn't necessarily make you ecstatically happy either way.*

"You need to give up something you want in order to get something you want a lot more."

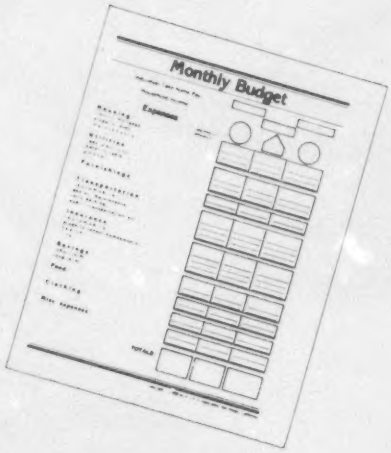
Have a trade-off discussion now. Choose your two favorite homes from the lists you made when you were house-hunting. They should be the two homes that satisfy you ***both*** *the most, given the constraints of your income and current housing costs.*

☐ *Having narrowed your choices to two homes, start your evaluation process again. Check the lists of PROS and CONS on the two homes. Then reconsider your values. What are you willing to give up? What do you really need? How much are you willing to spend? What do you really want? Should you rent or buy?*

☐ *Once you have had this final discussion about what is more important to you, decide which of the two habitats you want.*

A Joint Lifestyle Decision

After the pairs have had their trade-off discussions, the shelter they choose should minimize their felt uneasiness as much as possible within the assumed economic realities.



■ With their decision made—at least for the time being—they are ready to enter the figures for housing costs onto the appropriate lines of the **Monthly Budget**. Renters and lessees simply enter the monthly rent figure. Each renting couple can then be matched with a home-buying couple to observe the different calculations that the home buyers must make.

■ Buyers must do some calculating and then make several entries. To help them do their calculations, distribute to each home-buying couple an **Amortization Schedule** and a copy of your area's **Real Estate Tax Tables**. (The Amortization Schedule and the Real Estate Tax Tables

are listed under **Teacher Preparation** at the beginning of this unit as items to be obtained from your banker and your property-tax agency, respectively.) For guidelines in determining maintenance costs, they should refer to their notes from the earlier talk by the real estate agent. You can also remind them of the tax advantages of home ownership, which will not be reflected in their **Budgets** until later on in the course, after they have computed their Federal Income Tax due at year end.

■ After the couples have made all housing-cost entries on the **Monthly Budget**, you may also want them to make some 'uneducated guesses' as to the maximum percentages of income that they will want to allot to the remaining budget categories. Doing this will give them a framework to operate in as they deal with future units. Make sure that they know that the final total of all the amounts has to be 100%!

■ At this point there may very well be some mind changing, with some buyers deciding that they can't afford to buy and some renters deciding to purchase a home after all. It's wise to allow the couples to change their minds here, even though more class time will be consumed. You want them to learn that better-quality decisions are made as a result of more fully researching problems, and the calculations have given them the more specific kinds of information that are needed to make a discriminating buy vs. rent/lease choice.

"It's wise to allow the couples to change their minds here."

THE BIGGER PICTURE: Lease & Rental Agreements

■ Explain to the students:

Those of you who are not buying your homes may need to decide whether to rent or lease one. Sometimes you will be given a choice, but usually the type of agreement will be specified by the landlord.

*A **rental agreement** is an agreement to rent a home for an unspecified period. The agreement may be terminated at any time by the **tenant** or **landlord** if proper **notice** is given.*

Thirty days is usually considered proper notice, unless otherwise indicated in the rental agreement. This notice, either to the landlord or to the tenant, must be in writing. No reason need by given by either party, but grounds such as race, religion, or marital status are illegal.

This type of rental agreement is often called a "month-to-month" tenancy. It may be written or oral.

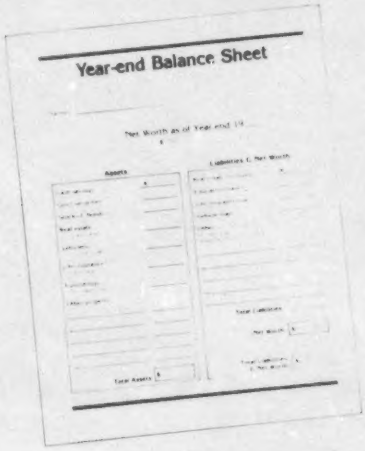
*A **lease** is a written agreement between a landlord and tenant. It is for a definite period of time, usually a year or more. It offers both the landlord and the tenant more protection than a rental agreement since the terms of the lease can't be changed without the consent of both parties. (Most leases do provide for agreed-upon changes if the changes are in writing, and are acceptable to both landlord and tenant.)*

*If you were to want to move before your lease was up, you would probably be able to **sublet**. To sublet is to lease to someone else a house or apartment that you originally leased. In such a case, the terms in the lease regarding **subleases** must be followed. It is you, the original tenant, who is legally responsible for making sure that all agreed-upon rental payments are made until your lease period is up. A lease is a binding written **contract**.*

Many rental contracts, whether they are month-to-month or leases, will demand the following of the tenant: first month's rent, last month's rent, and a cleaning deposit.

*These advance payments are called **security deposits**. It is against the law in some states for the landlord to ask for anything more than the equivalent of two month's rent (if the home is unfurnished) or three month's rent (if the home is furnished).*

At the end of a rental agreement the security deposit must be returned to the tenant, unless it was necessary for the landlord to use it for rent or for repair of damages to the home caused by the tenant that are more than the ordinary wear and tear that should be expected.

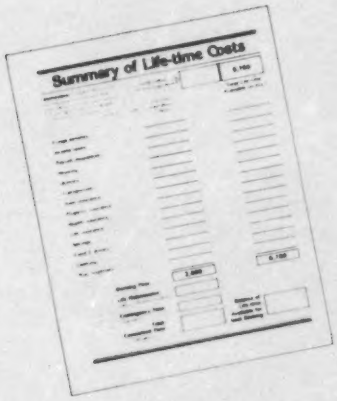


Year-end Balance Sheet

■ Distribute copies of the **Year-end Balance Sheet**. (Each couple should maintain two matching copies of this and all other budget forms.) Direct the couples who are buying homes in making entries as of the end of one year: an amount for their home value in the **Assets** section and an amount for the outstanding mortgage in the **Liabilities** section of the form.

Tell them that entries will be made on this form throughout the course, whenever an asset is purchased or a long-term (longer than a year) debt is incurred. By the conclusion of the course, each

couple will have developed a Balance Sheet of the kind that is presented to a bank or other financial institution when one applies for a loan.



Summary of Life-time Costs

■ Then calculations and entries should be made to reflect on the **Summary of Life-time Costs** the "hour/dollar" value of the costs of housing for each couple.

In Conclusion

■ When the entries on the various forms are complete, allow a little time for the renter-observers to chat with the home buyers, comparing their viewpoints on the advantages and disadvantages of home ownership in particular circumstances.

■ Conclude the unit with a whole-class discussion of the home-search decision-making experience.

Let There Be Light (& Heat & Air Conditioning)

Student Objectives

Upon completion of this unit, the student should be able to:

- read and understand a gas and electric bill
- define and use correctly *kilowatthour*, *therm*, and other terms found on a gas and electric bill
- give examples of wasteful energy usage
- list and explain conservation measures involving home heating and cooling, water heaters, refrigerators, and lighting
- project the amounts and costs of gas and electricity required to operate a home for a year
- calculate the break-even point for an investment of *life-time* in do-it-yourself home insulation
- define and use correctly the economic term *monopoly*
- explain the function of public regulatory commissions

Teacher Preparation

- Arrange for a guest speaker from your local gas and electric company (optional).
- Reproduce sufficient copies of the *Yearly Energy Costs* form for distribution to all students.

Time Frame

Approximately 3-4 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Highlighting Conservation

Conservation is one of the best ways for your students to get their money's worth in the Utilities category. You can furnish a lot of the information that they need most efficiently through fact-filled mini-lectures, supplemented by exercises that highlight the main conservation principles.

The unit begins with an examination of the bigger picture of energy usage and proceeds through an examination of home-consumption patterns. It culminates with your students' figuring out the amounts to fill in for Utilities on the **Monthly Budget** and the **Summary of Life-time Costs**.

THE BIGGER PICTURE: Limited Resources of Energy

■ A mini-lecture can convey the following ideas:

Whether you own your home or rent it, you will most likely be responsible for paying gas, oil, and electric bills.

The expense of using these various forms of energy can add up very quickly, especially when you don't keep track of usage.

As the world's demands for electricity and other forms of energy have increased over the years, the natural resources used to manufacture them have dwindled.

Not only have supplies dwindled, but about 40% of the non-communist world's oil supply comes from several countries in the Persian Gulf (about 17 million bbl. a day). We must rely on these countries to supply us with a certain amount of oil every year, at a price we can afford.

Although the United States gets less than 30% of its oil from the Persian Gulf region, we have been forced to realize that we are facing an energy crisis, and that we need to think about conserving energy whenever possible.

6% of World Population

30% of Energy Consumption

The United States, with about 6% of the world's population, uses about 30% of its energy. Although many of its uses are valid, there are many ways in which we could decrease our consumption both for conservation purposes, and to cut down on our monthly bills at home.

"The United States, with about 6% of the world's population, uses about 30% of its energy."

Home-front Concerns

■ Continue with a discussion of home-front concerns:

In this unit you will talk about the cost of using energy in your homes, how to avoid

some of the excessive costs, and how to fit energy expenses into your ***Monthly Budget.***

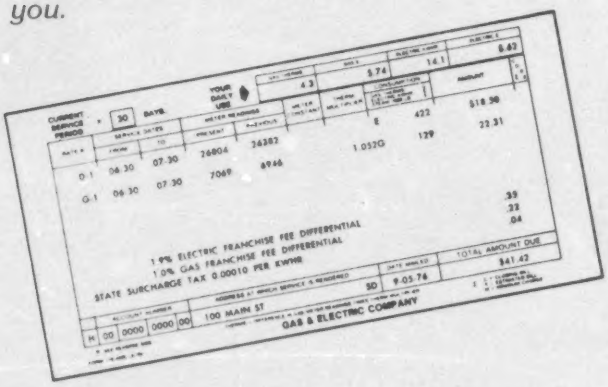
Before you can begin to keep track of your energy usage at home, you need to know how to read your gas and electric bill. For example, to find out whether you used more energy this month than you did last month, you do ***not*** *compare how much you spent each month. This figure doesn't mean much since* ***unit costs of energy*** *change from month to month.*

Instead, kilowatthours and therms are the items that should be studied when you are calculating your consumption.

A ***kilowatthour (KWHR)*** *is the unit used to measure amounts of electricity consumed. One KWHR can light a 100-watt bulb for 10 hours.*

A ***therm*** *is the unit used to bill your gas consumption. Your meter actually records how much gas you use by volume, in cubic feet. But you are billed in therms, which represent the heat value of a volume of gas.*

There are a few other terms to understand before you can read your gas and electric bill. Going over a sample bill should help you.



■ Copy a sample utility bill onto the chalkboard. Have the class determine the meanings of all new terms, making educated guesses when necessary, and recording all answers for future reference. Come up with one agreed-upon definition for each term.

Go To the Source

■ Then assign various students the task of calling the gas and electric company to verify the class's definitions, and to find answers to any questions that might have come up. These findings should be reported at the next class meeting. At that point, just for fun, compare the students' previous answers with the verified definitions of the terms.

■ It would also be helpful to have someone from the gas and electric company come in to answer whatever questions students might have concerning gas and electric consumption, and to teach them how to read their meters and check their bills.

If this isn't possible, assign a few volunteers the job of learning how to read a meter and explaining the procedure to the rest of the class.

■ Give your students all of the information they will need to calculate the cost of a typical month's worth of gas and electricity use. This should include information such as present and previous-month meter readings in therms and KWHR's, tax per KWHR, rates, etc.

(The easiest way of doing this is to use one of your own old utility bills. The answers to the calculation problem should, of course, be the same amounts

as you were charged that month by the gas and electric company.)

THE BIGGER PICTURE: Licensed Monopolies

■ Calculation of a typical utility bill can lead next to a brief discussion of the difference between most utility companies and companies in competitive industries. You can deal with the meaning of **monopoly** (single control over all the supply of a product) and the rationale for the government's licensing utilities to be monopolies—or "public utilities": the notion that it is more economical to have a single service network in each category (gas and light, telephone and communication services, railroads and public carriers, and so on).

Having given a utility company a complete monopoly within a given area, the state must step in to protect the consumer by setting the maximum rates that the utility may charge. This is commonly done through **public regulatory commissions** which try to set prices based on a conception of what would be "a fair return on capital" for the utility company.

"Having given a utility company a complete monopoly within a given area, the state must step in to protect the consumer."

Tell your students to watch for notices of regulatory commission hearings enclosed with family utility bills or reported in the newspapers. These hearings usually signal a rate hike, but they sometimes also result in roll-backs of charges that the commission has decided exceeded their "fair return" rules.

You can end by asking your students what they think:

Should public utilities continue to be government-controlled monopolies? Why, or why not?

Conservation Information

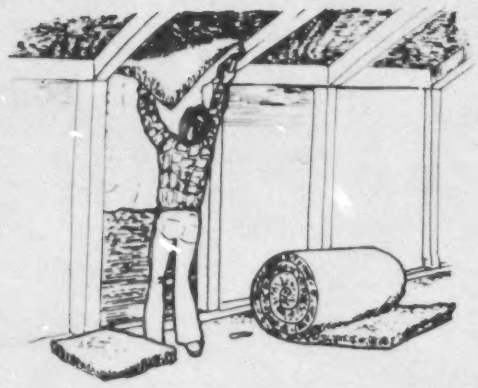
■ Give your students the following information about conservation of energy:

The biggest energy users in most homes are heaters, air conditioners, refrigerators, and lighting.

As far as heating and cooling a home go, good insulation is the best energy conserver. Winter heating costs can be cut by as much as 19% with ceiling and attic insulation. Wall insulation can cut another 12% from your heating bill. Good insulation also helps in the summer by keeping the cool air in and the hot air out.

"The biggest energy users in most homes are heaters, air conditioners, refrigerators, and lighting."

To further conserve energy, air conditioners should be used as little as possible, and set for as high a room temperature as you can be comfortable with.



■ To help your students get a sense of the value of insulation, have them do the calculations for the following problem:

☐ *Assume that for the last few years you have been paying $500 a year to heat your medium-sized house. A friend has finally convinced you that you would pay a lot less in the long run if you insulated. You take matters into your own hands, get some do-it-yourself information, and insulate your attic, ceiling, and walls.*

It costs you about $1000 to do the job. Question: How long will it take you to ***break even on your investment?*** *(Remember that costs can be cut by as much as 19% with ceiling and attic insulation and another 12% with wall insulation.)*

"How long will it take you to break even on your investment?"

Answer: It would take you about six-and-a-half years to break even on your investment, assuming that the unit cost of heating your home remained the same. In other words after six-and-a-half years you'd begin to realize savings in energy costs beyond the price of insulating. (Of course, the more expensive fuel became, the less time it would take you go get back your investment and begin saving.)

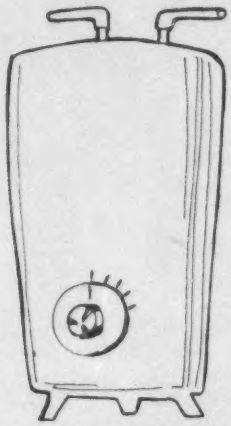
[19% savings + 12% savings = 31% savings; 31% (savings due to insulation) x $500 (cost of fuel) = $155 (savings per year); $1000 (cost of insulating equipment) ÷ $155 (savings per year) = 6.5 years.]

☐ *But what about life-time spent? It took 40 hours to do the work, and 10 hours to do the research. That's 50 hours of your time!*

Recalculate how long it would take you to break even on your investment, taking life-time into consideration. Then we'll discuss the pros and cons of insulating a house.

■ *After discussing the pros and cons of do-it-yourself home insulation, you can pass along a few "Hot Tips for Controlling Temperatures":*

- *Closing draperies keeps heat in during winter and keeps heat out during summer.*
- *Weather stripping and caulking on doors and windows blocks air flow.*
- *Special shades block the sun's rays to keep your home cool.*
- *Keep your thermostat down in cold weather—your costs go up 5% every time you raise the thermostat 2°.*



Water Heaters

■ Deal with hot-water heaters next:

Heating water is a year-round expense that you may not have given much thought to. You should check the setting on your water heater to make sure that you aren't using more energy than you need.

A setting of 140° should be adequate to supply you with all the hot water you need. (That's a "medium" setting, for those of you that don't have a numbered dial.)

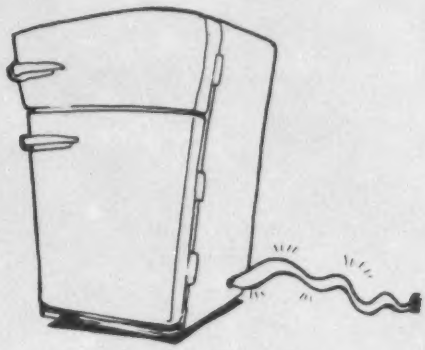
Here are some hot tips for controlling water-heating costs:

- *A shower of five minutes or fewer uses less hot water than a bath.*
- *One faucet drip per second can waste up 700 gallons of hot water per year.*
- *It costs more to run hot water and shave with a safety razor than to use an electric razor.*

■ You may also want to have a special discussion concerning solar energy at this juncture.

Refrigerators

■ A mini-lecture on the topic of running a refrigerator can cover points like the following:



Refrigerators and freezers can account for up to one-third of your electric bill. You can't turn a refrigerator on and off to save electricity, but there are some things you can do.

"You may also want to have a special discussion concerning solar energy."

Refrigerators usually last for about 15 to 20 years. Keeping the problem of continually rising energy costs in mind, there are a couple of facts you should be aware of when you buy a refrigerator:

- *The larger the volume of a refrigerator, the more energy it uses. A 16-cubic-foot refrigerator uses about 15% more energy than a 14-cubic-foot refrigerator of the same model.*

•All refrigerators should have an energy-efficiency label. The label will tell you how many kilowatthours of electricity the unit consumes per month. This is very important to know when you're making a buying decision.

■ Have your students check the energy-efficiency labels on their refrigerators at home to find out how many kilowatthours of electricity are consumed per month. (If their family refrigerator is not new enough to have an energy-efficiency label, they can get data from the label on a store's floor model of a refrigerator that they like.) Have them multiply that number by their cost per kilowatthour of electricity (as indicated by their family's last bill). The answer they get will be their operating cost per month.

Controlling Refrigeration Costs

■ Pass along some tips for controlling the costs of running a refrigerator:

• Don't use extension cords—they drop the voltage supplied to the unit.

"A second refrigerator in the garage costs as much to run as it costs to light an entire house for a month."

• Optimum refrigerator temperature is 37-40° F.

• Optimum temperature for a separate freezer is 0° F.

• A full refrigerator keeps food colder. (Space can be filled with empty containers.)

• Don't keep the temperature any cooler than you need it—for every degree you turn it down, you use about 8% more energy!

• Frost-free refrigerators use two times as electricity as those that you have to defrost yourself.

• A second refrigerator in the garage costs as much to run as it costs to light an entire house for a month!

Lighting

■ Lighting is the final energy cost area to cover. You can tell your students:

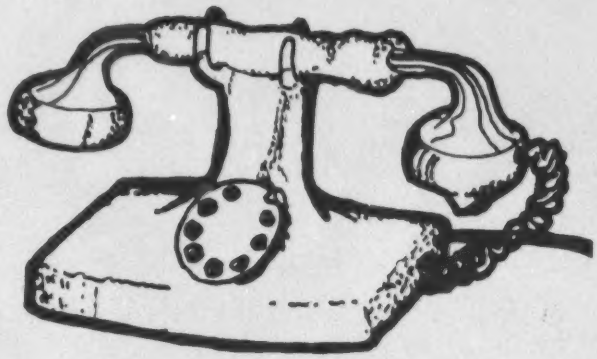
Excessive use of lighting is one of the most common ways of wasting electricity and running up unncessary bills.

You wouldn't leave your car engine running if you didn't plan to leave home for an hour, and you wouldn't leave your sink

water running while you spoke on the phone for 20 minutes. But people leave their electric lights on all of the time for no reason at all, or they simply forget to turn lights off and think nothing of it. Electricity is not created magically, nor is it always going to be available in infinite quantities (have you ever experienced a brown-out?). Electricity is manufactured in most cases from natural resources such as oil and gas. As these resources become more scarce, so will our supply of electricity—and the cost of using it will increase. On top of the fact that our resources are dwindling, it has been estimated that by 1990 demands for energy will have more than doubled. Whatever you can do to cut down use will be helpful.

"It has been estimated that by 1990 demands for energy will have more than doubled."

■ In addition to encouraging conservation, you may also want to have your students explore the potential for alternative energy **sources**, such as coal gasification, geothermal steam, solar, wind, and nuclear fission or fusion. You can have the students form task groups to investigate and report on several alternative energy sources. After each group has presented its findings, the whole class can discuss the **trade-offs** involved in tapping each energy source: energy opportunities vs. financial and environmental costs.



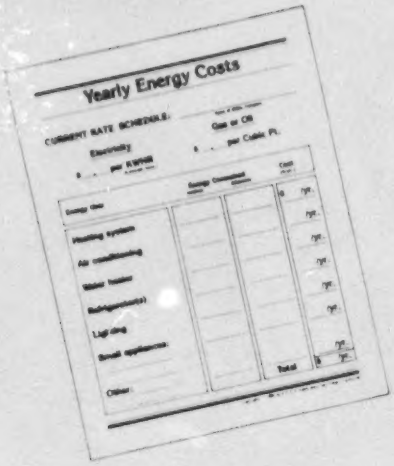
The Telephone

The telephone is another utility that needs to be accounted for in a monthly budget.

■ Have each couple call the telephone company to find out what their monthly service options are. Between the two of them, they should decide which service will best suit their needs. Then, taking long-distance calls into account, each couple should calculate what their average monthly phone bill will be.

Couples' Consumption

By this time your students should be familiar with all of their potential utility bills. They should now work on determining their future energy consumption as couples, keeping in mind the energy facts learned earlier in this unit.



■ Distribute copies of the **Yearly Energy Costs** worksheet and tell the couples how to complete the chart. (Any questions that need to be answered in the course of filling in the chart should be directed to your local utility company.)

Monthly Budget

■ Once the yearly energy expenditure has been determined, it should be divided by 12 to get the monthly energy expenditures. The monthly telephone expense should be added to that amount and the two of them combined should be recorded on the Utilities line of the **Monthly Budget**.

Summary of Life-time Costs

The final activity of the unit is the calculation and posting of a utilities-cost figure on the **Summary of Life-time Costs**.

Credit: Handle With Care

Student Objectives

Upon completion of this unit, the student should be able to:

- identify the parts of a bank check
- correctly make out a check and a checking account deposit ticket
- reconcile his/er check register balance with that shown on his/er bank statement
- give the distinguishing features of a *loan*, a *cash advance*, a *charge account*, a *line of credit*; and tell how to go about obtaining each
- discuss the legal aspects of a credit contract
- state guidelines for maintaining a good credit record
- define and use correctly the following economic terms: *down payment*, *credit*, *finance charge*, *Annual Percentage Rate (APR)*, *repayment period*, *security* (for a loan), *demand-pull inflation*, *discount rate*, *prime rate*, *value of money*, *cash reserves* (of banks), *demand deposits*, *deficit spending*
- explain the basic functions of banks
- describe how supply and demand affect prices
- explain how interest rates and the availability of credit affect the nation's economy
- discuss how the monetary policy of the government regulates the money supply through the Federal Reserve
- explain how the fiscal policy of the federal government can affect the money supply
- list positive and negative effects of inflation

Teacher Preparation

- Reproduce sufficient copies of the *Checkbook Checkups* for distribution to all students.
- Arrange for a banker to speak to the class.
- Make a copy of the Banker's *Guest Speaker* guide, fill in the arrangements section, and send it to the banker in advance of the speaking date.

Time Frame

Approximately 3-4 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 *Homework:*	**Day 2** *Homework:*	**Day 3** *Homework:*
Day 4 *Homework:*	**Day 5** *Homework:*	**Day 6** *Homework:*

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Personal Credit/National Policies

This unit covers a wide range of topics. Your students follow the tale of "Clara Clerecord" as she determines to qualify for credit, opens bank accounts (and maintains them in good standing), successfully applies for a department-store charge account and a credit card, and, finally, deals with the sad consequences of not protecting her credit card from abuse.

Because careful management of one's bank accounts lays the foundation for a good credit rating, opportunities are provided for the students to practice the mechanics of filling in a deposit slip and a check. They can also practice reconciling a check register balance with one on a bank statement.

A banker visits the class to expand on their understanding of the intricacies of managing consumer credit. Following the banker's visit, each couple draws up their own strategy for qualifying for and maintaining good credit during their first year together.

The "bigger picture" lecture/discussion that concludes the unit relates their earlier investigation of credit to the ways that the country's money supply is controlled.

Warmth Beyond Her Means

■ You can launch the unit by recounting the story of Clara Clerecord's Adventures in Creditland:

Clara Clerecord felt uneasy. In fact, she felt downright uncomfortable. The room where she did her macramé in the evenings wasn't well insulated, and it was very chilly outdoors, and winter was coming. She thought that an electric heater would solve her problem nicely. So she decided to purchase a heater immediately. She withdrew from her cookie jar the $25 that she had saved and proceeded to the store.

After looking over the assortment of heaters, she consulted with a salesperson and found out that for the size room she wanted to heat, a model PZ-106 would work well. The cost of a PZ-106 was $55. Ouch! There was a smaller heater available for $25, but Clara realized that the smaller heater wouldn't do the job, and she would be wasting her money if she bought it.

Clara was faced with an age-old problem: she wanted to make a purchase, but she didn't have enough money. To her the solution seemed simple: she would wait until the next payday, squeeze out an additional $30 from her budget, and buy the PZ-106 heater. Clara believed in living by the rule, "Don't buy it unless you have the cash in hand."

Soon the weather got bitterly cold, and Clara's handicraft hobby suffered because her hobby room became unusable. She was most anxious on payday to hurry to purchase the heater.

Unfortunately, when Clara reached the store, she found that all the PZ-106's were gone—as were the less-expensive heaters. In fact, most of the heaters were gone, and because of the cold snap, the rest would soon be sold out. The salesperson said that

"Most of the heaters were gone, and because of the cold snap, the rest would soon be sold out."

heaters were seasonal purchases; once they were gone, no more would be available until next year. The same was true all over town. A disappointed Clara closed off her hobby room for the winter.

Why Not Buy Now & Pay Later?

Clara's notion that you should have the cash in hand before making a purchase has merit much of the time, but in this case she suffered because conditions changed while she was acquiring the money. If her furnace had broken down, she might have lost the use of her home instead of just one room.

All that Clara needed was some ***short-term credit****, in this case about 30 days to pay for the heater in full. Having credit and using it wisely is an important tool for building an effective household, and it shouldn't be overlooked. It means that you are making a promise of future payment in exchange for something in the present (money, goods, or services).*

Now, some people have been known to make false promises. So you need to develop a reputation for paying back what you borrow in order to become a ***good credit risk****. Let's follow Clara as she seeks credit.*

Clara Seeks Credit

Clara realized that if she had had a charge account with the department store, she could have purchased a heater when she needed it and when it was available. Clara decided to establish credit so that in the future she would be able to purchase the things she needed or wanted without delay.

Her first stop was at the credit office of the department store to pick up a ***credit application form****. The form requested information about where Clara lived and how long she had been employed and what her position was and how much she earned. So far so good.*

Then when she got to the "Credit References" section, where she was to list organizations that were presently extending her credit, she couldn't list any, of course. In fact, she couldn't even fill in a checking account or a savings account number—she had neither.

It became obvious to Clara that she had to develop evidence that she would be a good credit risk. So she began by taking her pay and her cookie-jar savings to a local bank

"She had to develop evidence that she would be a good credit risk."

and opening both a ***checking*** *and a* ***savings account****. The savings account didn't have much of a starting balance, but she planned to add to it on a regular basis.*

She also resolved to keep her checking account in good order. Each time that she wrote a check, she entered the amount of the check in her ***check register*** *and made*

a notation of to whom the check was given. She also took the time to subtract the amount of the check from her balance and to add any new deposits, thus keeping an accurate running total of cash on hand.

Each month when the bank sent her a ***statement*** *of the transactions made on her account, she carefully checked the statement and* ***reconciled*** *her check-register balance with the one shown on the statement. And each month too she added some more money to her savings account.*

Next she applied for a ***30-day account*** *at one of the department stores in a shopping center near her home. In the agreement she signed, she promised to pay for any purchases in full within 10 days from her receipt of a bill. This would allow her to purchase something and not have to pay for it for about 30 days.*

She was careful to charge only what she knew she would have money to pay for, and she was very prompt in making her payments. She was starting to build credit.

Next she applied for a ***budget account****. This type of account gave her a credit line. A* ***credit line*** *means* ***a maximum amount that can be borrowed****—either in small chunks or all at once. Each time a payment is made, that amount of the credit line becomes available for borrowing again. Each month, depending on how much she owed, a minimum payment would be due. She could, of course, pay off the entire amount owed. But if she chose to make a partial payment, a* ***finance charge*** *was added to her account. Credit costs! The charge was determined by multiplying a standard percentage (in her case 1½%) times the unpaid balance each month. The percentage was typical of that charged on other similar accounts. Excessive rates are prohibited by law, and finance charges should be compared and rejected if they are out of line. On a yearly basis, her credit charges would be about 18% per year (or $18 for each $100 borrowed for a full year).*

Clara realized that a charge account was costing her more money than she spent when she only paid cash. But she viewed the extra amount as the cost of convenience and her established credit as insurance in case of an emergency.

"Clara realized that a charge account was costing her more money than she had spent when she only paid cash."

Clara's Credit Card

Feeling confident about her ability to use credit wisely, Clara went to her bank and filled out an application form for a ***credit card****. This time she could complete all sections of the form. She had both a checking and a savings account at the*

bank she was applying to (most banks will issue credit cards only to bank customers). When they checked her two accounts, they would find evidence that she didn't **overdraw** her checking account and that she had steadily increased her savings

"What a line of credit does, in effect, is to give you the use of your future earnings now."

account balance— both favorable conditions. Her bill-paying records at the local department stores would be equally good when they were checked.

Clara received a credit card from her bank. As before, the credit line was minimal, but as she successfully built a positive history with the use of her card, the amount of the credit line could be increased. Clara's credit card expanded the number of places where she could make credit purchases and also gave her the ability to get **cash advances**—quick loans that can be repaid on similar terms as credit-card purchases.

What a line of credit does, in effect, is to give you the use of your future earnings now. It does not give you more money than you make; it just gives it to you sooner. You still have to pay for everything that you purchase out of your earnings.

"It does not give you more money than you make; it just gives it to you sooner."

Credit only allows you to make the purchases earlier than you could if you saved the cash first. Along with the privilege of a credit line comes the responsibility of making payments on time—and of handing over the finance charges or interest payments as well.

Credit Abuse

Some people abuse their credit or mismanage it and get in deep over their heads, beyond their abilities to pay. For them the good life can end in repossession of their belongings and loss of their credit. Obtaining credit means entering into a contract; it carries legal responsibilities with it.

Clara fortunately treated her credit with respect and used it wisely. One day her roommate came home and excitedly told Clara that she had found "the perfect party outfit" and "wanted it so bad!" Lacking the cash to buy it, she asked Clara if she could charge the outfit on Clara's credit card and make the payments to Clara each month. Clara agreed to the arrangement and gave permission for her roommate to use her card. The roommate was prompt in giving Clara the payment each month until the outfit was paid off. The arrangement was satisfying to both Clara and her roommate. After all, they were good friends.

"Friendships sometimes sour, and Clara's roommate became harder and harder to live with."

But friendships sometimes sour, and Clara's roommate became harder and harder to live with. Their friendship became so strained, in fact, that Clara was relieved when her roommate suddenly moved to San Francisco. But Clara was also shocked to find out that a set of luggage and an airplane ticket had been charged against her credit card. When Clara checked on the transaction, she found that her ex-roommate had used Clara's credit card again. Clara explained to the bank official that she hadn't given permission for this

purchase. To her chagrin, she found out that since she had given someone permission to use her credit once (which was Clara's right), she was presumed to have extended her permission to that person until it was revoked in writing (in a letter to the credit-card carrier). Clara was responsible for paying her roommate's luggage and plane-ticket charges. Clara got an expensive lesson in credit responsibility.

"Clara was responsible for paying her roommate's luggage and plane-ticket charges."

Fishing for a Loan in Shark-free Waters

The focus of instruction can shift to the process of getting a loan. Since each couple will be planning and calculating the cost of furnishing their habitat and buying some sort of transportation, they should be interested in the steps necessary to get a loan. The following anecdote can be used to illustrate:

Howard and Judy were looking for transportation. They had decided that a compact station wagon would suit their particular needs and started visiting auto showrooms. They soon found that several car manufacturers had models of the compact and subcompact variety. They also found that most of the cars had numerous accessory packages that could be added—at extra charges, of course.

Comparing one manufacturer's model with another was very difficult since what one manufacturer had as standard equipment, another offered as an accessory or didn't offer at all. They saw so many cars that it was nearly impossible to remember features and costs, but they realized that it wasn't hard to run up the cost of a car very quickly.

After consulting friends and reading consumer reports on the numerous models available, Judy and Howard decided on the make and model that they wanted to buy. They traveled to several dealers with a specific description of the car that they wanted, including some accessory packages such as an AM-FM radio and a spare tire. They were surprised at the variety of quotations that they were given. Some included tax, some did not. Some included the cost of the license, others did not. They soon realized that with some of the dealers the final "out-the-door" prices would be higher than their quotations.

Their shopping around wasn't over yet. Howard and Judy had been told that the cost of financing differs among lenders as much as the prices of cars differ among car dealers. Banks, finance companies, some auto dealers, and credit unions offer car loans. In Judy and Howard's case, they ended up at their bank's auto loan department.

Their first question was, "How much would the bank loan on the price of the car?" They were told that since money was tight when they applied, a larger-than-usual down payment by Howard and Judy would be required. The difference between the amount of the loan and the price of the car is the ***down payment****. If an older car is traded in, it often can serve as the down payment.*

They were also told that the ***repayment period*** *currently being offered was between one and four years. The longer the*

repayment period, the lower the monthly payments would be—but the more the loan would cost in the long run (because of

"The longer the repayment period, the lower the monthly payments would be—but the more the loan would cost."

interest charges). They could choose the time frame that best suited their financial situation.

Next came the all-important question: "What is the prevailing interest rate?" The ***Annual Percentage Rate (APR)*** *changes depending on economic conditions. Since money was tight when Judy and Howard applied for their car loan, the interest rate was higher than it had been earlier that year.*

After the down payment had been determined, the remaining balance was calculated and became the amount of the loan requested. Next Harold and Judy chose the full 48 months to pay back the loan. With this information and the interest rate, the loan officer was able to calculate what their monthly payments would be.

[You might write the following information on the chalkboard, keeping in mind that as economic conditions change the details of the example may require revision.]

If Judy and Harold bought a car dealer-priced at $6,250 and made a 20% down payment (of $1,250), then they would need to borrow $5,000. With an interest rate of 15% on a loan for 48 months, their monthly payment would be $139.15. The actual cost of the auto at the end of four years would be $7,929.20. The interest would have added $1,679.20 onto the dealer's price.

The bank, after checking Harold and Judy's credit records, approved the loan. To secure the loan, the bank retained the title of ownership of the automobile until the loan was paid in full.

To Recap

The general procedure for obtaining a loan remains the same whether the loan is for a car or for furnishings or for buying a home. First you need to establish yourself as someone who has proven that s/he can take responsibility for paying back the loan. This means both being financially able to pay (tips from washing cars on Saturdays

"Tips from washing cars on Saturdays do not qualify you to buy a yacht."

do not qualify you to buy a yacht) and having the propensity to pay (a history of faithfully meeting payments on time).

Next, you will usually need to pay some of the cost of the item yourself in the form of a down payment. The amount of a down payment varies, but 10% or 20% of the purchase price are common amounts.

Third, you will often need to secure the loan by putting up something of value that the lender could resell to recover their money if for some reason you were unable to completely repay the loan. Often this ***security*** *is the item being purchased itself.*

And finally, you will pay the lender a fee (in the form of interest) for the use of the money for the duration of the loan.

It Begins at the Bank

Being able to get a favorable bank reference is so crucial to netting and sustaining a good credit rating that it is worth spending some time on the mechanics of managing a checking account.

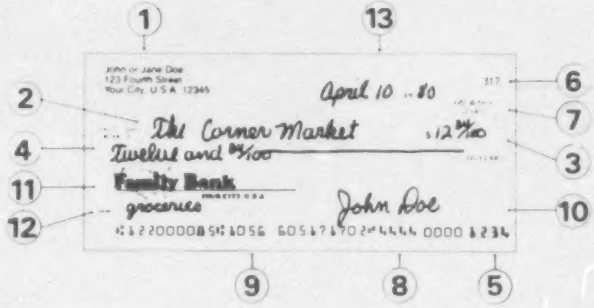
■ Tell your students:

When you apply for credit, one of the first places that your potential creditor will go to find out about your creditworthiness is your bank. Your bank will likely furnish two kinds of information. It will indicate what your ***average daily balance*** *is, in general terms (such as "low four figures" or "high three figures" or—if you're a financial tightrope walker—"low two figures"). And it will note what your history of managing the account has been like.*

Favorable signs to a creditor would be your maintaining an average daily balance that indicates that you can afford what you intend to buy and your not having "banking black marks" against you, such as ***overdrafts*** *(which come from writing checks that bounce because there is not enough money in your account to cover them).*

Sometimes perfectly honest people write checks that bounce because they have neglected the basics of checking account management. Just a little effort can keep you from inadvertently damaging your own financial reputation. This effort will be one of the best investments you can make.

What we're going to do today is go through some of the procedures involved in managing a checking account, starting with the basics and ending with reconciling your balance.



Checkbook Checkup No. 1

■ Distribute one copy of the worksheet **Checkbook Checkup No. 1** to each student, and discuss the parts of a personal check. Have the students write in the number key to each part as you describe it. (See the illustration above.)

Checkbook Checkup No. 2

■ Distribute copies of **Checkbook Checkup No. 2**, which deals with making out a deposit slip. Point out to the students that a deposit slip is the small form that a depositor fills out when putting money into a checking or savings account. It must include the depositor's name, the account number, the date, the total amount of the deposit, a breakdown of the form(s) in which the deposit is being made (currency, coin, and/or check), and a list of all checks deposited, identified by routing number. Remind them that the **routing number** appears in the upper right-hand section of most checks (position 7 of the facsimile check on the first worksheet). Guide them through correctly completing the worksheet.

■ Distribute copies of **Checkbook Checkup No. 3**, and walk your students through filling in the first check on the worksheet.

1. Write today's date. If you postdate the check, the merchant may refuse to accept it or the bank may refuse to cash it.

2. Fill in the name of the payee. If you leave this line blank or write the word "Cash," on it, anyone can cash the check. Start as far to the left as possible and fill all of the available space, by drawing a line if necessary, so that the name cannot be easily added to or altered.

3. Write the amount of the check in numbers and then write the amount of the check again in words. If the two do not agree, the bank will pay the amount written in words. When you write these amounts, make the numbers clear and distinct. Use a fraction expressed in hundredths instead of a decimal. [Write *35/100*, *50/100*, and *80/100* on the chalkboard as examples.] *A decimal point can be too easily changed to a comma! Also write these amounts as far to the left as possible so that the amount you indicate cannot be easily altered by the addition of a word or a digit; and fill all the available space, again to prevent unauthorized additions.*

4. Sign the check the same way you signed your signature card when you opened your account. Be consistent. If you used a middle initial on your signature card, include your middle initial in your check signature.

5. Make a note on the memo line to help you remember what the check was written for.

6. Write the check number, date, payee, and the amount of the check on your corresponding stub. (If you had a wallet-type checkbook, this entry would go in your ***check register****.)*

7. Figure your current balance by subtracting the amount of this check from your previous balance. Record the new balance at the top of the next stub.

A Balancing Act

■ Distribute **Checkbook Checkup No. 4**, the worksheet dealing with reconciling one's bank statement balance to the balance in one's check register. Tell the students:

The moment of truth arrives with your bank statement once a month. As soon as possible after it comes, you should ***reconcile your balance*** *in your check register with the balance shown on your statement.*

Banks very rarely make errors in statements of account. But if you do find an error on your bank statement, you should report it immediately. Some banks allow only a short period of time for such errors to be brought to their attention. If you have trouble reconciling your balance, the problem more probably lies in your own records.

Giving up on reconciling your balance or neglecting to try to reconcile it can result in your overdrawing your account, which in turn can lead to checks being "bounced" back to the payees (and payees don't take too kindly to that), an ***NSF (not sufficient funds)*** *charge being deducted from your account by the bank, and a dented credit rating.*

There is another very good reason for keeping track of your account balance. If you have one of the new interest-bearing checking accounts, you probably get paid interest only if you maintain a certain minimum balance in your account. If your balance falls below the minimum, you may have to pay the bank a service charge. An undetected arithmetical mistake on your register could result in a service charge that might have been avoided.

■ Direct the students to practice the reconciliation procedure by following the worksheet instructions. The exercise should be self-correcting.

Banker Tells All!

■ If you are able to arrange for a banker to speak to the class, the banker can extend your students' understanding of how to manage credit wisely. The banker should follow the guidelines that were furnished to him/er before the class meeting, covering such matters as: local credit conditions, types of credit contracts, reasons for using credit, techniques for finding credit, repayment schedules, the cost(s) of financing, what makes one a good credit risk, how a credit check is done, and the penalties for credit abuse.

Credit-seeking Strategies

■ After the banker's visit is a good time to open up a general discussion with class members about the process of establishing credit. Allow them some time to air their feelings about the virtues and drawbacks of using credit. During the discussion, make a list of all available sources of credit in your community.

■ After the discussion, have each couple consider a tentative strategy for obtaining credit (or not) and record it in their notebooks as a series of goals with a timetable for implementation. (Their timetable can extend beyond one year.)

THE BIGGER PICTURE: The Supply of Money

■ A lecture on the money supply can give your students a sense of the "bigger picture" surrounding their consumer credit:

It is important to realize that most businesses either produce a product or offer a service in order to earn a profit. However, there are businesses that, in effect, sell money to make money. The most obvious are banks or financial companies. They loan (sell) money for specific periods of time and in doing so expect a return on their investment (a profit). Any company that gives credit and charges interest makes money on the money loaned.

One of our important resources is our money supply. To gain an understanding of economics, we have to understand how money is used and how it is controlled.

Modern banks receive much of their money

in the form of deposits from customers who have checking and savings accounts. Some of the depositors receive interest for the money that they leave in the bank. In the normal course of operations, a bank needs less than 20% of its holdings in order to conduct daily transactions. The remaining money can be loaned out to businesses and individuals.

The bank charges interest on the money that it loans at a rate higher than the amount it pays to its depositors. This is one way that the bank is able to make money on some of the money it has on deposit.

During times of full employment and stable prices, credit is more available and the interest rates are lower—a condition that is very desirable. However, during this ideal time increased purchasing power can cause a form of inflation called ***demand-pull inflation*** *to occur.*

"A bank needs less than 20% of its holdings in order to conduct daily transactions."

An increase in purchasing power is likely to occur at full employment (defined to include production at full capacity)—due to lower taxes, higher government spending, or increases in the money supply. An increase in purchasing power under these conditions means that total demand will exceed total supply. Prices will tend to creep up. And generally higher prices result in a loss in the purchasing power of the dollar.

With a loss in the purchasing power of the dollar, all income recipients will try to secure more income (more dollars) in order to retain their living standards. And because wages represent approximately 75% of income received, workers receiving higher wages can exert a relatively large effect on inflation. If a spiral of rising costs followed by higher wages is allowed to continue, inflation will severely erode the value of a dollar.

"If a spiral of rising costs followed by higher wages is allowed to continue, inflation will severely erode the value of a dollar."

■ To illustrate demand-pull inflation, tell the class to imagine this scenario:

You have all been living together on a tropical island for the last five years. The island provides all the natural resources needed to sustain life, so you have survived without any communication with the rest of the world. In the course of figuring out how to get along, you have evolved your own economic system. Your medium of exchange (that is, your form of money) is dried doodleberries.

By the end of your first year on the island, you'd all harvested all the doodleberries that there were, and at the beginning of the second year, all the doodlebushes died. So the members of your society have a fixed supply of dried doodleberries to use to buy things from one another.

Some of you have more doodleberries than others of you, of course, because some of you have been more imaginative or enterprising or harder-working at supplying your neighbors with what they have been willing to plunk down doodleberries for. But

in general, your economy is thriving, with full employment and production of goods and services at full capacity.

Here are some typical prices that you folks pay for things to satisfy your needs and desires [you may want to write these on the board]*:*

- *A surfboard that Seashore Sally* [create names based on individual class members] *carves out of local woods costs 50 doodleberries.*

- *A coconut patty grilled by Burger Bob and served up on a Sandywich Bun goes for 5 doodleberries.*

- *A hammock woven by the Island Cooperative Handicraft League* [point out a few students likely to be members] *is priced at 30 doodleberries.*

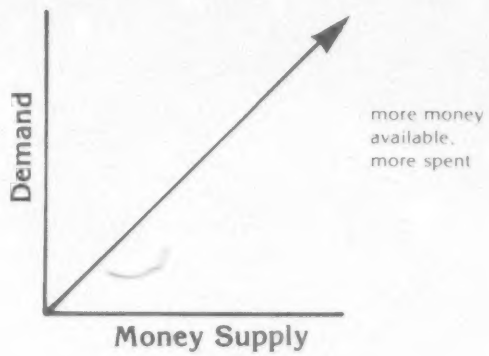
Life goes on quite swimmingly until one day you sight a bark canoe on the horizon. There is great excitement as it gets closer and closer. Finally it lands on your shores, and a little old man debarks. He looks exhausted and emaciated. He staggers onto the beach and then collapses in the sand without uttering a word. Members of the Handicraft League carry him to their habitat and attempt to nurse him back to health. But he is past saving and soon expires.

You all decide to bury him at sea and a burial committee is about to embark with his remains in his canoe when one of you notices something unusual about one side of the canoe. Investigation reveals a large secret compartment that contains—an enormous supply of dried doodleberries! In fact, enough to double the existing supply on the island.

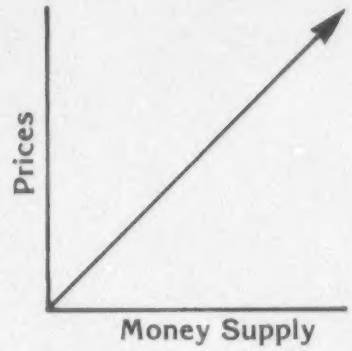
You're all pretty excited about all this wealth falling into your hands. You hold a general meeting and decide to divide it up equally among you.

What do you think are going to be some of the effects of such an increase in the money supply of your little economy?

All your extra doola begins to burn holes in your palmleaf bikini pockets, and you head for Sally's Surfboard Shop and Bob's Burger stand and all the popular boutiques in the Marina Mall, and start dispensing with your doodleberries. Here's a chart [draw chart on board] *that shows what's happening:*

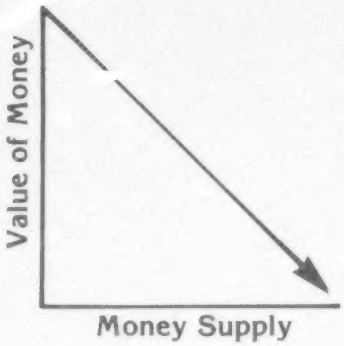


Let's say that Sally has on hand an inventory of 5 surfboards and that it takes her a month to carve a new one. She might sell the first board for 50 doodleberries, but it won't take her long to catch on that she can easily get a lot more. So she raises the price of the second board to 75 doodleberries, and eventually the price of the last three surfboards to 100 doodleberries each. Bob's Burger eventually sell for 10 doodleberries apiece, and the Handicraft League's hammocks for 60. As this next chart shows, increased demand drives up prices.



increased demand drives up prices

And what has happened to the value of a doodleberry? As Loafing Larry says, "A doodleberry just don't buy what it used to." Your money has lost some of its ***buying power*** *in a process known as* ***inflation****.*



increased money supply can result in decreased value

Moneylending Mary is the saddest of all. Before the alien landed on your shores, she'd loaned out a boodle of doodleberries at 10% interest per annum—or one doodleberry of interest charged on each 10 borrowed. Now with this unexpected inflation, she'll be paid back in doodleberries worth only half what they were worth when she loaned them. If she'd known then what she knows now, she'd have charged a lot higher interest rate!

■ Qualify the illustration by telling the students:

Our story oversimplifies things. The economy of our fantasy island wasn't anywhere near as complicated as a modern mixed economy like the United States has today. And we assumed full employment and production at capacity in order to illustrate how demand-pull inflation can sometimes result from an increase in the money supply. If there had been a recession at the time of the influx of doodleberries, there might have been an increase in production and employment with no inflation.

Also, in the real world an increase in money supply in the form of money available for loans doesn't automatically mean an increased demand for goods. Such increased demand, with consequent increased prices, only occurs if people choose to borrow and to spend the additional supply of money.

Because the supply of money has such far-reaching effects on our economy, the control of the money supply is not left to individuals or to individual banks. Rather, a creation of the federal government, a central banking organization called the ***Federal Reserve System****, exists to exert a major influence upon the country's monetary and credit practices. The central bank, through its system of regional banks, can put additional money into the national network of banks when an expansion in the money supply is desired to ease a recession. The action of increasing the money supply allows banks to reduce interest rates and ease credit restrictions.*

Conversely, the Fed can draw off some of the cash reserves, making money tight (making less of it available for borrowing) and pushing up interest rates, when it wants to slow down the rate of economic

growth and retard inflation. The intended purpose is to encourage saving and to reduce the tendency to spend. If this happens, fewer goods are sold and prices are reduced to encourage the sale of built-up inventories. The eventual effect of ***tight money*** *is a general slowing down of the economy. Another effect is an increase in unemployment as companies begin laying off unneeded workers.*

Banks go to the Federal Reserve (the banker's bank) to get additional money to lend out. To borrow it, they pay an interest rate called the ***discount rate****. In order to make a profit on the money it borrows from the Federal Reserve, a bank charges a higher rate, called the* ***prime rate****. The prime rate is generally reserved for successful businesses that have a proven record of repayment and offer little risk to the bank. For most everyone else the still higher* ***regular interest rate*** *is charged.*

If the discount rate is low—say 5 cents on the dollar, the banker will have no qualms about borrowing from the Federal Reserve. If however, it is 18 cents on the dollar, the prime rate might go to 22 cents and the regular interest rate to 25 cents. Everyone along the money chain would reconsider borrowing money until the rates were lowered. The total effect of increasing interest rates is a damping of the economy: as the demand for money decreases, business expansion is curtailed, and the flow of money into circulation is curbed.

Suppose the Federal Reserve decides to ***buy*** *securities, putting money back into its regional banks? The entire process described above can be reversed. Commercial banks can have more money in their reserve accounts, enabling them to lend more money "out" to consumers, providing a faster growth in the money supply and probably more overall spending. These* ***open market operations*** *of the Federal Reserve are governed by the Open Market Committee. Because of the ease and flexibility with which open market operations can be imposed, this method is the most important and most often used tool of the Federal Reserve.*

The Fed can also regulate the amount of ***required reserves*** *that banks must have relative to the amount of their customers'* ***demand deposits****. An increase in the percentage of required reserves will reduce the amount of money that can be loaned.*

The principles that guide the practices of the Federal Reserve System are referred to as our government's ***monetary policy****. The monetary policy and the practices that follow from it go into the makeup of our modern "mixed economy"—a market or capitalistic economy mixed with some governmental controls.*

The second way that the government controls or affects the money supply is through ***fiscal policy****. Fiscal policy sets forth the guidelines for the amount of legislated expenditures and how they will be financed. Here's a thumbnail sketch of how it works.*

As a country, we've set a variety of national goals which range from maintaining adequate military strength to assisting the poor to financing public schools so that every citizen has the opportunity to obtain an education. While our national wants are quite extensive, our government income is limited. One way to offset the difference is to collect more taxes. Another way is to deliberately spend more than the government receives—by means of a fiscal practice known as ***deficit spending****.*

For a number of years, the U.S. government has borrowed money against our country's expected future success in order to finance governmental programs. The accrued amount owed is the ***national debt****. When the government wants to increase government spending, it can either collect more taxes or increase the national debt.*

Under certain conditions, when the government spends more money, it increases demand in the marketplace. Economic activity may be stimulated. This is helpful when we are trying to recover from a recession. However, if the economy is ***over****stimulated, the ultimate effect may be inflation.*

Let's say, on the other hand, that our democracy decides through its elected representatives to try to discourage consumption spending because we want to prevent excessive dollar demands from accelerating inflation. We might then adopt an "austere" fiscal policy requiring that we raise tax rates and reduce government expenditures. A chronic budget surplus might help cushion us against continued inflation by keeping some money out of circulation.

■ Inflation has both good and bad effects, and the effects are different depending on the **degree** of inflation. You can conclude this unit with a discussion of the contents of 'inflation's mixed bag':

Any rate of inflation *will:*

- *reduce the value of the dollar*
- *devalue the dollar in international trade*
- *reduce exports, but increase imports*
- *reduce real income, especially for those with fixed money income*

Moderate inflation *(1-3% per year) will:*

- *increase the supply of products*
- *increase employment opportunities*
- *stimulate investment and strengthen the economy*

High rates *(in excess of 6% per year) can:*

- *lead to wage growth in excess of productivity growth*
- *reduce employment*
- *hurt small business (when credit is restricted)*
- *create speculation with funds which could otherwise be used for capital expansion*
- *increase demand via expectations of still higher prices in the future, thus aggravating demand-pull inflation*

Things to Sit On, To Cook On, To Flip On

Student Objectives

Upon completion of this unit, the student should be able to:

- define and apply the following assertive-communication skills useful in decision-making discussions: *self-disclosure, broken record, owning up, workable compromise*
- provide a rationale for purchasing furnishings to match one's means and one's lifestyle
- use home-decorating publications as aids in choosing furnishings
- devise a decorating scheme related to the floor plan of his/er home
- use his/er decorating scheme as a guide for purchases of furnishings
- shop for furniture and appliances, comparing price and quality
- allocate yearly budgeted amounts to purchases and payments related to home decorating

Teacher Preparation

- Have on hand in the classroom sufficient copies of various decorating and home furnishing publications for students to peruse during decision making.
- Arrange for an interior designer or decorator to speak to the class.
- Make a copy of the decorator's *Guest Speaker* guide, fill in the arrangements section, and send it to the decorator in advance of the speaking date.

Time Frame

Approximately 2-4 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
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Big-ticket Expenditures

In this unit your students plan how to feather their nests.

Next to housing and transportation, purchases of furnishings and appliances involve some of the largest-ticket expenditures that a young householder makes.

Our young householders must budget for these expenditures out of their first-career-year earnings—not the most affluent of circumstances. So they have to learn how to stretch their budget dollars, how to make trade-offs, and how to defer some desired purchases to a later time when they can better afford them.

"They have to learn how to stretch their budget dollars."

Nonetheless, the students' decisions about how to outfit their homes are important opportunities for self-expression, for caring for themselves, and for extending hospitality to others. It's well worth time spent in planning and in developing awareness of the values that are reflected in their choices.

It is suggested that you lead your students through the following series of activities.

Assertiveness Skills

■ Tell your students that because they are required to do so much joint decision-making in this unit—of a kind that can bring out clashes of taste and differences of opinion, it is a good time to develop some more communication skills.

■ Introduce the notion of **assertiveness**, and lead the class in practicing some assertive-communication techniques by saying:

☐ *Assertiveness is a style of communication that is characterized by persistence in getting your own ideas and feelings communicated. It's not the same as aggressiveness, which is trying to overcome or control another person.*

Today we're going to learn and practice several different assertive-communication techniques that you should find useful both inside and outside of class.

☐ *After you reorganize your seating so that you can work in foursomes (with one couple monitoring another), we'll review the types of techniques that we'll be practicing.*

☐ *The first technique we're going to apply is called* ***self-disclosure*** (write each term on the chalkboard as you discuss it). *It allows you to be comfortable about telling another person what you think and feel.*

The second is called ***broken record****. It involves calmly repeating what it is that you want without letting another person sidetrack you.*

The third is ***owning up****, getting past feeling guilty or defensive by agreeing strongly with any criticism of your negative qualities or actions.*

The last technique is ***workable compromise****: suggesting a way that two people can each give a little and take a little so that both can get at least some of what they want. (You should not, however, make a compromise that causes you to lose self-respect.)*

I'll demonstrate each technique, and then each pair in your group can take a turn practicing the skill by discussing some disagreement that you've had over the past few weeks. While one pair is talking the other pair should listen to make sure that the technique is being practiced correctly.

☐ *First,* ***self-disclosure****.* (Approach a student at the front of the class and tell him/er something significant about your own thoughts or feelings; for example, "I get a little nervous when you don't seem to be paying attention.") *The idea is not to be intimidated by the other person–to be willing to expose your true thoughts and even your feelings so that your future communications with that person will have more meaning.*

"The idea is not to be intimidated by the other person."

Now each of you try making a ***self-disclosure*** *statement or two.* (Allow time for practice.)

☐ *Now for* ***broken record****. Let's say that Susan [or whatever the student's name is] here has not handed in her homework. Susan, will you demonstrate with me by giving me a bunch of excuses for not being able to hand your homework in tomorrow?*

Follow up Susan's excuses with remarks like:

I understand, but your homework is due tomorrow.

That must have been a real disaster, but your homework should be completed.

I guess you think I'm discriminating against you, but when I set a deadline for the whole class, I can't make exceptions for one student. Your homework is due tomorrow.

Practice this skill by getting into a discussion of something real that you've dealt with in the past couple of weeks. For example, you might want to reopen negotiation of something on your ***Ladder of Goals*** *or in relation to your selection of a habitat.* (Allow time for practice.)

☐ *Let's do* ***owning up*** *next. This one's kind of tough, because you have to take criticism right on the chin and agree with any truth that's in it. What this does is let the other person know that s/he's not going to throw you by saying something negative about you. And at the same time, if you're willing to admit some of your shortcomings, the other person will be more interested in working with you to improve your relationship. Let's say that the principal of our school says to me, "I've had a few complaints about all the noise coming from your classroom the past few days." I could own up by saying, "Yes, my*

students have been talking louder than usual." If I don't try to duck the truth, the principal will be less tempted to try to manipulate me with his/er next remark. Now you continue talking about the same topic you've been discussing, only this time practice ***owning up*** *along with the other skills we've covered so far.* (Allow time for practice by both pairs.)

☐ *The last technique to practice is* ***workable compromise****. This is pretty much what it sounds like: suggesting in detail what you're willing to do or give up in exchange for what you'd like the other person to do or give up. For example, I might say to Susan with regard to her homework, "You can hand it in a day late, but that will lower your grade a point." She might respond, "If I hand it in at the end of the day instead of at the end of class, will you lower my grade?" And I might say, "I won't this time, but this is your last extension." We'd have a workable compromise with neither one of us having lost self respect.*

Now you try working through whatever disagreements you've been dealing with, until each couple achieves a ***workable compromise****. Try to practice all the assertiveness techniques and a little* ***paraphrasing*** *too, if you can.* (Allow sufficient practice time.)

Matching Their Means

■ Tell your students that in this unit they're going to learn how to buy furnishings that will match their means and their lifestyles.

You can relate some motivational anecdotes like these about three imaginary young newly-wed couples. All three couples have the same incomes during their first year of marriage.

The Extravaganza

The first couple, Lulu and Milford, don't give much thought to what kind of lifestyle they want to lead together. They just go out the first week after they return from their honeymoon and buy suites of furniture like those that Lulu's sister has. (Lulu's sister is a famous party-thrower, and "everybody" says that her sister's place is "gorgeous.")

Lulu and Milford buy everything on "easy credit," assuming hefty monthly payments.

Because both their demanding jobs as salespeople require a lot of social contacts, when they are at home, they'd rather be alone together than entertain in their showcase apartment. The only rooms that get much use are the kitchen and the bedroom.

Finally, when Milford is laid off from his job after nine months, they can't meet their payments, and they lose all their fancy furniture.

The Dreary Dump

The second couple, Greg and Dolores, grimly face the "reality" of their first year of life together. Knowing that their resources are limited, they rent a gloomy flat, figure that it's not worth fixing up, and furnish it with mangy hand-me-downs.

Eventually they find themselves going out to mediocre movies and doing unnecessary shopping more and more often to escape the depressing environment that they have created for themselves.

At the end of the first year, they realize that they've spent as much on distractions that they haven't really enjoyed as they might have spent on making their place worth coming home to.

The Affordable Mix

The third couple, Marie and Chico, were lucky enough in their senior year of high school to have taken a course in consumer economics.

"Marie and Chico were lucky enough in their senior year of high school to have taken a course in consumer economics."

During their courtship they spend lots of time talking about the kind of life that they want to lead together. They discuss their jobs, the social life they'll have, the hobbies and recreation that they want to pursue, individually and together.

They make an overall plan for outfitting their home to match their lifestyle, and they list the things they'll need to furnish it. They draw up a tentative budget and then do plenty of shopping to find out about prices and the options open to them.

After shopping around, they revise their plan and their budget to incorporate the new things that they've learned. They decide on an affordable mix of do-it-yourself, used, and new furnishings–tied together by a color scheme that pleases them both. (They put off buying several expensive things that they really want, and begin saving for them.)

And of course, they live happily ever after in surroundings that may not keep up with the Jones but are just right for the kind of lives that Chico and Marie lead.

"They live happily ever after."

You can also encourage your students to contribute stories of their own about people (with identities concealed) that they've known who have planned well or badly in furnishing their homes.

Discussing Lifestyles

■ The first step in their joint planning is for the pairs to discuss their lifestyles in detail and determine in general terms what kinds of furnishings they'd need to support their lifestyles.

During this activity you might want to have available in the classroom copies of home-decorating magazines for the pairs to browse through and discuss as they make their plans. (Sometimes it's more communicative to point to what you like than to describe it!)

Decorating Scheme

■ Direct them to:

☐ *Write several paragraphs based on your discussion with each other. Describe what your* ***Decorating Scheme*** *will be and how it relates to your intended lifestyle. This description will go into your notebook, so each of you should have a copy of it.*

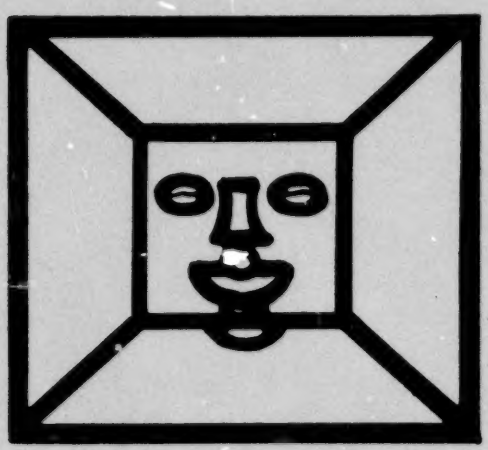
☐ *List the physical objects—furniture, appliances, light fixtures, art objects, etc.—that you'd like to have.*

☐ *Draw these physical objects onto the* ***Floor Plan*** *that you created earlier. Use a pencil, because you might want to change your plan later.*

☐ *Draw up a* ***tentative*** *budget of what you think you can afford to spend on furnishings during your first year together.*

Shopping Around

As homework the students pairs should next spend plenty of time (at least several evenings and a weekend) pricing furniture and appliances. They can go together, or separately if they take notes for later sharing. They should try to cover a variety of kinds of stores: department stores, specialty stores, discount stores, rental marts, used-furniture stores, and even lawn and garage sales. Encourage them to compare price and quality on similar items, and to consider lower-cost substitutes for items on their original shopping list. When they shop for appliances, they should note any energy-consumption ratings that appear on the labels and take those into account.



The Interior Decorator

■ In the midst of their price shopping, your students should be interested in a presentation by a guest speaker who is a professional interior decorator. The decorator might be able to bring to class samples of various decorating materials and discuss their features and prices. The guest speaker should also follow the guidelines that you provide him/er, covering such points as:

- how to develop an overall decorating scheme
- how to phase purchases, buying necessities first and adding other planned-for items over time
- the details of furniture construction which consumers should know, and how such construction variables influence costs and durability
- tricks of the trade for getting the most value on a budget
- do-it-yourself possibilities in terms of painting, wallpapering, laying tiles, building furniture, making slipcovers, etc.
- "investment" purchases (such as antiques and fine art) vs. purchases that will rapidly depreciate in value
- times of the year when good buys can be made at sales
- how to bargain with a furniture or appliance dealer
- the advantages of obtaining a decorator's services; how a decorator

is paid; money that can be saved in the long run

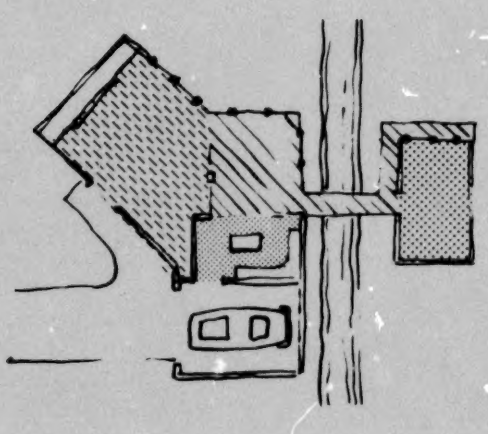
(Remember to audio- or video-tape the guest speaker, if possible.)

Decorating Revised

■ Drawing on their new learnings from the price-shopping trips and the decorator's talk, the pairs should write a revised statement of their **Decorating Scheme.** Remind them to use their assertiveness skills while they are negotiating.

■ Then they should create an acquisition strategy or plan. To do this, they:

✓ Categorize their intended acquisitions as "freebies" (gifts from parents, shower and wedding presents, found objects, etc.), do-it-yourself items, things to be rented, things to be purchased, and acquisitions to be deferred and saved for. (Writing these categories on the chalkboard will help here.) Remind the students to include decor items like paint and wallpaper in their acquisitions list.



✓ Revise their **Floor Plans** to go with their revised **Decorating Schemes**, and color-code objects in their **Plans** to correspond with the above categories.

✓ Total the amount to be spent in one year on furnishings. Determine payment and allowance breakdowns.

✓ Divide the above amounts by 12, and enter the results on their **Monthly Budget** forms.

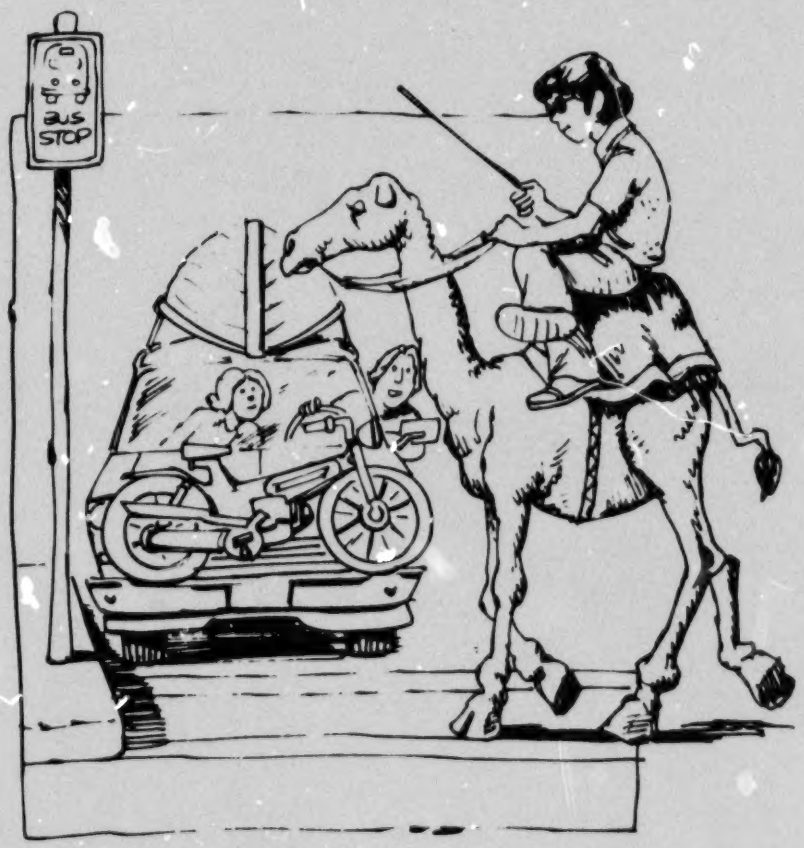
Summary of Life-time Costs

■ The total of the yearly budgeted amounts should be used to calculate the number of hours to be entered opposite Furnishings in the **Summary of Life-time Costs.**

Year-end Balance Sheet Entries

Purchases of furnishings and appliances call for several types of entries on each couple's **Year-end Balance Sheet**: the purchase price(s) on asset line(s), the amount of depreciation by year-end as a subtraction from the asset value, and any anticipated loan or charge account balance(s) at year end on liability line(s).

Transport Yourself



Student Objectives

Upon completion of this unit, the student should be able to:

- list transportation alternatives
- compare and contrast the costs of taking the same trip by several different modes of transportation
- analyze the expenses involved in automobile travel
- state six production costs affecting product prices and give current examples, relating them to the phenomenon of cost-push inflation
- project total costs of transportation for him/erself per year and per month, and compute *life-time* costs
- describe consumer rights and redress procedures related to buying automobiles
- define and use correctly the following terms: *cost-push inflation*, *depreciation*, and *profit*

Teacher Preparation

- Arrange for students to have automobile classified ads to browse through the first day of the unit.
- Reproduce sufficient copies of the following worksheet masters for distribution of one to each student: *Ways to Go/Costs Per Trip* and *Totaling Transportation*.

Time Frame

Approximately 2-3 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

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Thinking Through the Alternatives

In this unit your students budget the costs of transportation. Although in this country most people travel most places by automobile (there is an average of more than one car per household in the United States!), you can encourage your students to think through less-expensive transporation alternatives.

Even if each couple does end up planning to buy a car (or two), they still might provide for making some of their trips by other modes—walking or mass transit, for example—in order to save money and conserve limited natural resources.

The experience of simulated shopping for a vehicle furnishes an opportunity to follow up with a discussion of rising costs and prices in the automobile market and of the more general phenomenon of cost-push inflation. You can also give your students some tips regarding their consumer rights in case they should buy a "lemon."

The unit concludes with entries of total transportation costs on the **Monthly Budget**, the **Year-end Balance Sheet**, and the **Summary of Life-time Costs**.

Skateboard or Helicopter?

■ Lead the whole class in brain-storming, listing on the chalkboard all the modes of transportation that they can think of. Among them will probably be:

Feet
Bus/subway/tram/monorail
Taxi
Train
Plane
Helicopter
Boat
Auto/car pool
Bicycle
Motorcycle/motor scooter

They can also break down the automobile category into divisions like:

Compact car
Medium-size car
Sports car
Luxury car
Van
Pick-up truck
Four-wheel-drive vehicle

■ Allow class time for students to browse through classified automobile ads to get notions of prices. You might also assign as homework their "shopping" at auto dealerships and used car lots.

Ways To Go/Costs Per Trip

■ Next, everyone in the class should complete the worksheet entitled **Ways to Go/Costs Per Trip**. This exercise enables them to compare and contrast the costs of taking the same trip by several different modes of transportation.

Doing the exercise should increase their awareness of the multiple factors that go into the expense of automobile travel, such as the costs of depreciation; gas and oil; maintenance and repairs; automotive taxes; parking, garaging, and tolls; and liability and collision insurance.

Of course, traveling by car is often more expedient and faster than other ways—trade-offs should emerge with the students' calculations of life-time costs, where time as well as money is included in the total-cost figures. At the same time, there may be "fringe benefits" (like better health and strength) to be gained from bicycling, making it worth extra time.

THE BIGGER PICTURE I: Cost and Price Increases in the Auto Industry

■ Their analysis of the comparative costs of different modes of transportation should have prepared your students to be interested in a mini-lecture on the causes of escalating automobile prices. You can cover points such as the following:

Let's examine the various costs which contribute to the product price that the consumer pays. Basically, there are six categories of costs:

1. The cost of all resources, excluding labor, necessary for production (natural resources, tools, and technology)

2. The cost of labor (payroll, pensions, benefits) for production

3. The cost of using the tools in production (variable and overhead costs)

4. The cost of tools wearing out (depreciation and obsolescence)

5. The cost of payments or conditions ordered by governments (federal, state, and local taxes; regulations)

6. The cost of marketing the product to consumers (distribution, storage, advertising, discounts to retailers)

Regardless of the type of good purchased, every consumer will pay for these six costs in the purchase price. When an increase in one or more of these costs is not offset by a similar decrease in other categories, then, unless the manufacturer is willing and able to take a cut in profit, the manufacturer will raise the price of the product.

The recent history of the American automobile industry illustrates how increases in manufacturing costs can lead to increases in product prices. Let's re-examine the six cost areas to see which have increased rapidly over the past few years and pushed the price of an American car upward.

1. The cost of all resources, excluding labor: *steel, petrochemicals required for plastic moldings and interior detailing, tires, etc.—all UP in cost.*

2. The cost of labor: *UP as a result of renegotiated union contracts calling for shorter hours, higher pay rates, and increased benefits.*

3. The cost of using tools: *energy costs to run the machinery—way UP.*

4. The cost of tools wearing out: *obsolete plants and assembly equipment are badly in need of replacement.*

With significant increases in several cost categories that are not offset by similar decreases in others, the price of the typical American-made car has escalated from $3-4000 in the early '70s to $6-7000 in the early '80s (even though the "typical" American-made car of the '80s is smaller and less powerful than ever before).

And what about profits? Couldn't they be cut so that prices wouldn't have to be increased?

Profit is what is left of sales income after all costs are paid. In the case of the automobile industry, this area should be the source of monies for the heavy expenditures required for new-product development to meet an increased consumer demand for different kinds of cars than are generally available from American manufacturers. However, things haven't worked out that way.
The major American car makers are currently suffering huge losses. Necessary new-product development is being financed by profits from earlier years and by massive loans—which will in turn push UP the cost of their interest payments in the future.

When the kind of phenomena that we have been examining in the automobile industry are widespread, when they occur throughout many sectors of our economy, we can experience a kind of inflation called ***cost-push inflation****, an increase in the general level of prices brought about by pervasive increases in the costs of producing and marketing goods and services.*

The troublesome thing about cost-push inflation is that the monetary and fiscal policies that are used to moderate demand-pull inflation can't cope as well with cost-push inflation.

THE BIGGER PICTURE II: Consumer Rights and Redress

Regardless of how much your students pay for cars in the future, they should be prepared to cope with "landing a lemon."

In a mini-lecture on consumer rights and redress procedures you can say:

When you shop for a car, you should also shop for a warranty, comparing the features of different warranties just as carefully as you do the features of the car itself. Then when you do buy, keep your copy of the warranty in a safe place and make sure that you perform all of the routine maintenance prodedures required to keep the warranty in effect.

But even with what seems like a good warranty, you might have a problem with your car and not be able to get immediate resolution of it. What can you do?

✔ *The first step is to complain to the dealer or seller in very specific terms, stating the details of your problem and what you'd like to have done to resolve it. Ask to speak to a supervisor or manager if the first person you talk to isn't helpful; and continue to work your way up the management hierarchy if necessary.*

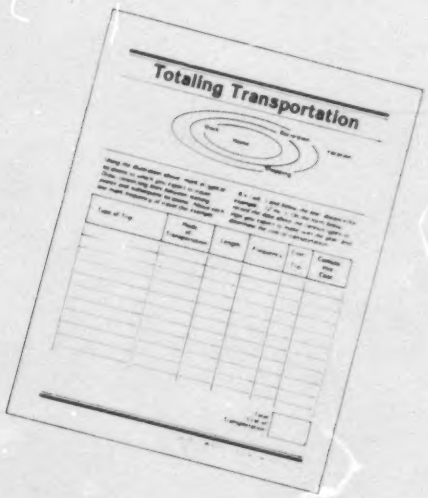
✔ *If the dealer or seller is unresponsive, contact the manufacturer or the manufacturer's representative. Most major manufacturer's have Consumer Affairs offices or Customer Service representatives who specialize in resolving customer complaints.*

✔ *If you're still haven't gotten satisfaction, put your grievance in writing and send it to a governmental Consumer Affairs agency. State what the problem is, how the problem came about, the identity of the party that you're complaining about, the amount of money, if any, that is involved, and whether you think any consumer laws have been violated.*

✔ *You might also report your problem to the "action line" type of service given by newspapers and TV news programs.*

✔ *And if a sizable amount of money is involved, consider retaining an attorney to take your case to court.*

These steps apply basically to almost any consumer problem—not just to a difficulty with an automobile purchase.



Totaling Transportation Worksheet

■ Distribute the **Totaling Transportation** worksheet and circulate around the class helping the couples make charts indicating the trips that they'll be making, the length and frequency of each trip, and the modes of transportation that they'll use. From this data they should be able to determine their total costs of transportation.

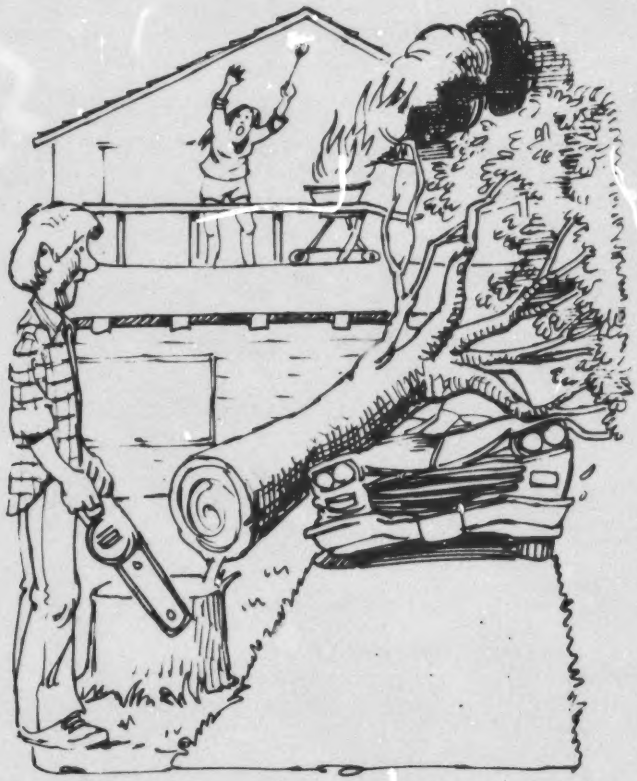
Entries on Budget Forms

■ The budgeted amount(s) for transportation should then be computed on a monthly basis and entered on the **Monthly Budget**.

■ Any couples who is purchasing a car should make several entries on the **Year-end Balance Sheet**: the purchase price on an asset line, the amount of depreciation by year end as a subtraction from the asset value, and any anticipated loan balance at year end on a liability line.

■ The final activity of the unit is the calculation and posting of the yearly cost of transportation in "hours" on the **Summary of Life-time Costs**.

Protect Your Property



Student Objectives

Upon completion of this unit, the student should be able to:

- project immediate and long-term consequences and costs of typical examples of uninsured property and automobile damage
- list types of coverage offered by property-insurance policies
- identify the minimum amount of automobile insurance required by law in his/er state
- determine property-insurance needs and obtain appropriate quotations on the costs of coverage
- budget for property-insurance coverage
- calculate the *life-time* cost of property insurance
- define and use correctly terms related to property insurance
- determine the replacement value of personal property

Teacher Preparation

- Arrange for a guest speaker who is expert in the area of property insurance.
- Make a copy of the insurance agent's *Guest Speaker* guide, fill in the arrangements section, and send it to the agent in advance of the speaking date.
- Reproduce sufficient copies of samples of various property insurance policies for distribution to students for reference use.

Time Frame

Approximately 4-6 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ Speaker(s)	☐ Audio-visual aids
☐ Materials to obtain	☐ Reproducibles
☐ Teacher research required	☐ Testing

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
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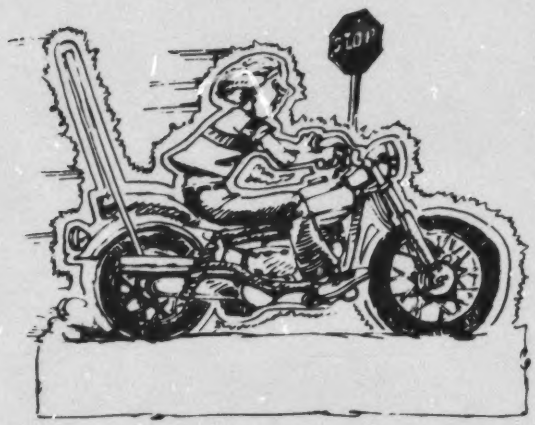


The Magic Mantle Illusion

Some young people suffer from the Magic Mantle Illusion. They think that they're invulnerable. "Old people" get sick and die. "Other people" have accidents and get sued or end up in the Emergency Room. They ride their motorcycles without wearing helmets, and they party all night, pouring decibels and drinks and drugs into bodies that seem to bounce back from any amount of punishment. It's not easy to get these kinds of young people interested in the topic of insurance!

"They party all night, pouring decibels and drinks and drugs into bodies that seem to bounce back from any amount of punishment."

Getting Their Attention

Our task is not to turn delusions of invincibility into paranoia, but rather to get their attention. Life is **not** risk-free, and if we can at least plant that notion without being too grisly about it, maybe with greater maturity our students will seek the protections available to them.

This is not to imply that there are not cautious students in our classes too. It's just that these are not the ones who present the challenge when we come to teach a couple of units on buying insurance.

"Maybe with greater maturity our students will seek the protections available to them."

Calamity Chronicles

The first unit on insurance, the present one, deals with automobile and homeowner's (or tenant's) insurances. In an attempt to penetrate their Magic Mantles, the students are asked to write **Calamity Chronicles**—short fantasies of the kinds of misfortunes that commonly result in property damage.

They discuss the consequences and costs of such mishaps. Then they peruse sample insurance policies and list the types of coverage that may be purchased. As homework, partners get policy quotations from different insurance carriers. Finally, the pairs budget for property insurances as monthly and life-time expenditures.

■ Introduce the unit by telling your students that now that they are people of property—owners of cars and furnishings and even, in some cases, houses—it is time to take a look at protecting their property from risks.

A Driving Accident

■ Ask that each student write a **Calamity Chronicle** involving an automobile—a fantasy of an accident that could befall them when they are driving. The scenarios should be in story form: with a beginning, a middle, and an ending that describes in graphic detail all the damages incurred.

■ Give some of the students chances to read their scenarios aloud to the rest of the class. After each one, lead a discussion of the consequences of the accident (the possible long-term as well as the immediate injuries) and the probable costs of repairing or making restitution for damages and bodily harm.

Automobile Insurance

■ Distribute sample auto insurance policies (photocopies of several different kinds will do), and direct the partners to work together, first reading through a sample policy and then listing the types of coverage offered by the policy.

■ Hold a whole-class discussion in which you call for the students' listings and compile a master list on the chalkboard. Among the types of coverage that should be mentioned are:

Liability
Collision
Comprehensive
Uninsured Motorist
Medical
Towing & Road Service

■ Tell the couples to determine what kind of insurance they are interested in "purchasing" at three different degrees of coverage: [1] the minimum extent required by state law (with the maximum possible deductible amount), [2] the maximum level they'd consider, and [3] a level between levels [1] and [2].

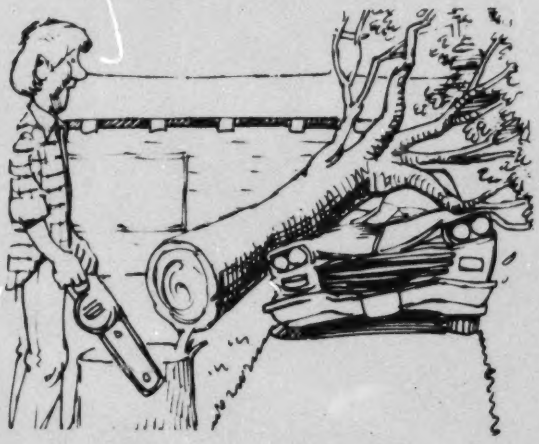
"Tell them to be sure to ask about discounts that may be available."

■ Assign as homework their obtaining quotations on their three insurance-coverage options from three different insurers. Tell them to be sure to ask about discounts that may be available in categories such as:

Compact Car
Multiple Car
Good Driver
Limited Teen-age Use
Driver Training
Good Student

■ After their homework is completed, the couples should budget for car insurance coverage on their **Monthly Budgets**.

■ And they should calculate the life-time cost of auto insurance coverage and post it on the **Summary of Life-time Costs**.



Household Calamities

■ Homeowner's or tenant's insurance can be dealt with in a manner similar to that used for auto insurance, with your students beginning by writing **Calamity Chronicles**. This time their scenarios should describe fires, floods, burglaries, and the other kinds of natural and unnatural mayhem that can damage or destroy household property.

■ Follow the reading aloud of some of the scenarios with discussions of the consequences and costs of the disasters that have been depicted.

About Homeowner's Insurance

■ The heart of the lesson can be based on either examinations of sample policies or a presentation by a guest speaker who is expert in the area of property insurance (preferably an **independent agent** who can survey the offerings of several insurers).

Whichever route you take, here are some of the concepts that might be discussed:

Types of home insurance: Basic Form, Broad Form, Tenants Form, Comprehensive Form, Special Form

Aspects of risk: magnitude and likelihood

Protection clauses of each type of insurance

"Dwelling"

"Personal property"

"Replacement value"

"Inflation guard" endorsement

Deductibles

Claim procedures

What Are Their Needs?

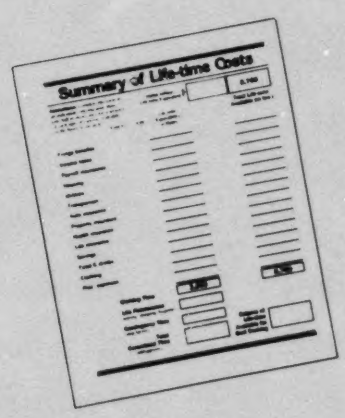
■ The next activity is for each of the partners in homemaking to draw up an **Inventory of Household Personal Property**, along with replacement values. Remind them to take into account probable future **rates of inflation** when they are determining replacement values.

"Their scenarios should describe fires, floods, burglaries, and the other kinds of natural and unnatural mayhem that can damage or destroy household property."

For example, if the inflation rate is averaging 10% per year for furnishings, it might take $121 in insurance proceeds to replace a $100 chair two years from now. The total replacement value of their household goods gives an indication of the amount of insurance they should purchase. (Advise them that insurance needs should be reviewed periodically and policies updated to reflect new purchases and the effects of inflation or deflation.)

■ As homework, the couples should then determine their insurance needs and obtain competing quotations from several insurers.

■ After their homework is completed, the couples should budget for homeowners or tenants insurance coverage on their **Monthly Budgets**.



Life-time Costs

■ The final activity of the unit is calculation and posting of the life-time cost of property insurance on the **Summary of Life-time Costs**.

Insure Your Health & Helpmate

Student Objectives

Upon completion of this unit, the student should be able to:

- discuss typical medical costs in your area of the country
- describe the major provisions of health insurance plans available in your area
- describe the principal features and options of life insurance plans available in your area
- project in general terms the consequences and probable costs of a calamity resulting in bodily harm
- identify the primary reason for purchasing life insurance
- estimate the amount of life insurance benefits required to maintain a particular standard of living
- define and use correctly terms associated with health insurance and life insurance
- budget for purchases of health and life insurance policies

Teacher Preparation

- Chart medical costs in your area and post in classroom.
- Obtain from health insurance carriers brochures listing their coverages and premium costs.
- Place the brochures on reserve in your school library.
- Reproduce sufficient copies of the *Pick-a-Plan* worksheet for distribution to all students.

Time Frame

Approximately 3-4 periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
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Medical Costs

Before you begin this unit, you (or some of your students in search of extra credit) will need to do a little background research into typical medical costs in your area of the country. Good sources of information might be a hospital-plan carrier, a benefits manager in the personnel office of a good-sized company or government agency (like your school district), or a hospital administrator.

What you'll want to pin down are:

- the average cost of a visit to a doctor's office (general or family practitioner)
- the average cost of a visit to a medical specialist's office
- typical hospital emergency room fees
- a schedule of typical surgical fees, including anesthesia and other operating-room services
- the average cost-per-day of hospital room and board
- the average cost-per-day of intensive care
- typical charges for other commonly provided hospital goods and services, such as blood transfusions, X-ray and other diagnostic procedures, and medications.

Protection From Wipe-out

The information on costs can be put on a large chart and posted in the classroom.

Because medical costs are increasing at a rate that outdistances even our general inflation rate (which is currently at a gallop), you will want your students to get a full appreciation of the need to budget adequately for protection against being financially wiped out by an accident or a prolonged illness.

■ You can begin with your students' again writing a **Calamity Chronicle**, this time of an imaginary but possible misfortune to themselves which would require extensive medical care.

"You will want your students to get a full appreciation of the need to budget adequately for protection against being financially wiped out."

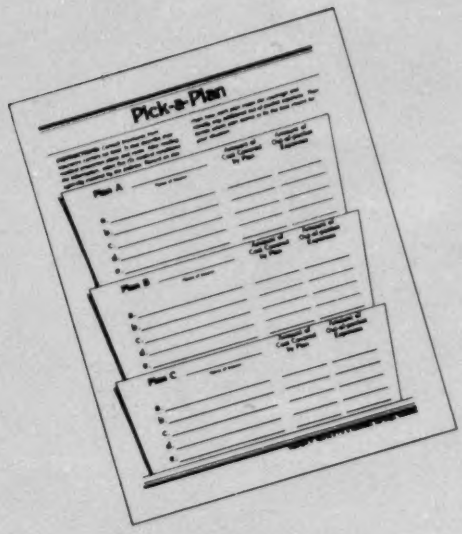
But this time tell the students that sharing of the **Chronicles** will be deferred until after the class has had a chance to study some data on medical costs and health insurance plans.

Health Plans

■ Conduct a general discussion of the different kinds of health plans available in your area, such as those offered by non-profit carriers, HMOs (health maintenance organizations), and major insurance companies. You can also cover concepts such as:

- Group vs. individual plans (and conversion privileges)
- Coverage options (including catastrophic and major medical)
- Illnesses and conditions typically excluded from coverage

- Cancellation vs. automatic renewal clauses
- Family plans; age limits on coverage of children
- Limits on claim amounts
- Deductibles
- Inpatient and outpatient care



Pick-a-Plan Worksheet

■ Distribute the **Pick-a-Plan** worksheet, and assign its completion as homework, after discussing the activity instructions: By consulting the resource file of insurance brochures you have placed on reserve in the school library, your students should determine the premiums for and coverages provided by at least three different health insurance plans. The couples are then to choose the health-insurance plan(s) that they tentatively want to have.

Health Calamities

■ After they have completed their homework, the students can share their **Calamity Chronicles** by reading them aloud either to the whole class or in small groups.

"The students can share their Calamity Chronicles, by reading them aloud either to the whole class or in small groups."

■ Then, for each **Calamity Chronicle** its author should construct a **Calamity Costs** grid like this illustration:

Calamity Costs

Calamity Consequences	Emergency Care	Doctor Fees	Operating Room	Hospital Room & Board	Drugs, X-rays, etc.	Convalescence Expenses	Misc. Expenses
sprain neck of disco	$110	46	—	—	85	26	15 neck brace

Calamity Costs

The large chart on medical-care costs that you have posted should be consulted by the students as they are completing their Calamity Costs analysis. This analysis gives your students a notion of what the **total** cost of extensive medical care can be as well as an example of the amount that might not be covered by health insurance–in other words, the additional "out-of-pocket" costs that they might

have to bear in the event of a serious illness or accident.

"This analysis gives your students a notion of what the total cost of extensive medical care can be."

■ At this point the pairs may want to rethink their choice of an insurance plan.

Budgeting Premiums

■ When their final choice is made, each pair should enter the monthly premium cost for health insurance on the **Monthly Budget** form.

If a student can assume that his/er employer will pay the premium, the premium amount should be inserted in the fringe benefit slot at the top of the **Yearly Money Planner** (perhaps replacing an earlier estimated amount, and requiring a recomputation of Gross Pay and related percentages).

If s/he assumes that s/he must pay directly for the premium, the cost amount should go on the Health Insurance line of the **Monthly Budget**.

Even students who are assuming that their employers will pick up the tab for a basic policy may want to bear the cost of a **major-medical plan** to extend their protection; they should enter this cost on the Health Insurance line below Take-Home Pay.

Life-time Costs

■ The last step in dealing with health insurance is the computation and posting of its cost in hours on the **Summary of Life-time Costs**.

Life Insurance

Life insurance is somewhat less vital than health insurance protection for our couples at this stage of their simulated careers. A person buys life insurance to provide income for his/er dependents after s/he dies. But our simulation begins with the first year in the existence of a two-person household, with neither partner completely dependent on the other.

The situation will change dramatically, however, later on in the simulation when a dependent (in the form of a baby or an aged relative) "drops in to stay." Consequently, it is wise simply to

"Later, with a dependent to care for, they can revise their assessments of their insurance needs."

introduce the topic of life insurance in this unit, and encourage the pairs to budget for a bare minimum of coverage,

if any. Then later, with a dependent to care for, they can revise their assessments of their insurance needs.

Effects of Death

■ Tell your students that the next thing to consider budgeting for is life insurance. Each pair should discuss the financial effects that the death of one of them would have on the other. Even the unmarried roommates may want to consider being left with remaining lease or mortgage payments on housing.

"Even the roommates may want to consider being left with remaining lease or mortgage payments."

Suggest that the pairs consider questions such as:

How much additional income would need to be supplied by life insurance to enable your survivor to maintain his/er accustomed standard of living?

What alternatives other than buying life insurance could make your survivor's financial lot bearable?

What single future event could dramatically increase the amount of life insurance you should provide?

During these discussions you might want to circulate around the room and challenge examples of strange logic–for example, a couple's assumption that the food budget would be the same for one person as for two!

Types of Life Insurance

■ Assign as homework investigation of different types of life insurance and typical related premiums (at their simulated ages). Your students should also determine the meanings of the following phrases:

Mortality tables

Term life insurance

Ordinary/whole/straight life insurance

Convertible insurance

Level premiums

Increasing premiums

Cash value/surrender value

Interest earned on cash-value insurance (typical rates)

■ Conduct a whole-class discussion of their findings, including the pros and cons of purchasing term rather than straight life insurance, and some possible ways of combining the two.

■ Give the pairs the opportunity to make their final decisions on the amount of life insurance (if any) to purchase. The cost of premiums should be pro-rated to a monthly basis and entered on the **Monthly Budget**.

Life-time Costs

■ Finally, the cost in hours of each person's life insurance should be computed and entered on the **Summary of Life-time Costs**.

Savor Your Savings

Student Objectives

Upon completion of this unit, the student should be able to:

- define and use correctly the following economic term: *capital formation funds*
- list four types of savings institutions
- provide a rationale for regular saving
- define and use correctly the following terms from banking and finance: *invest, principal, return, fixed return, interest rate, time deposit, liquidity, grace days, bonus interest*
- describe long-term investment options such as stocks, bonds, T-bills, and real estate
- explain the difference between *real estate* and *land*
- draft a savings strategy covering both short- and long-term projected needs
- develop a plan for charitable giving
- budget for savings on a monthly basis
- budget for charitable giving on a monthly basis

Teacher Preparation

- Read the lecture notes for this unit and do any necessary additional research to prepare to respond to student questions.

Time Frame

Approximately 4-5 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

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☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

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Up With Incomes?

Saving money requires a tremendous amount of self-discipline. Expectations and expenses usually rise along with one's income, so that no matter how much money is coming in, it often seems as though there is almost nothing left over for savings once the bills have been paid.

Too many people save only what is left over after daily expenses, and that amount is often very little, if anything. In this unit, students learn that saving is a way of providing financial security for the unknown future and of preparing to take advantage of opportunities. They discuss the various methods of saving money and decide for themselves what methods best suit their individual situations.

"Too many people save only what is left over after daily expenses."

At the same time, as a general rule, the inclination to save money **does** tend to increase as income rises, and in a "bigger picture" section of the unit, your students learn about what economists call the "marginal propensity to save," which, along with the "marginal propensity to consume," varies with the amount of personal income.

And in another "bigger picture" segment they learn how their roles as Savers/Investors, as well as their roles as Producers, Consumers, and Citizens fit into an overview of the U.S. economy.

Charitable contributions fall into a budget category that can be treated along with savings, especially if charitable contributions are made through regular provisions rather than by afterthought donations. Students are encouraged to be thoughtful about their philanthropy and to make plans for it along with their other set-asides.

The unit concludes with monthly-budget and life-time-value entries for savings, investments, and charitable contributions.

Second-hand Stress

■ To introduce this unit, you might ask the students if they've ever known of any situations where a family was financially stressed or ruined by money problems. Have students share stories—but only after making it clear that no names should be used, and that it would be better not to discuss any current situation that would be embarrassing to the people involved.

This exercise should serve to bring home the reality of disastrous situations brought about or complicated by a lack of money reserves. Discuss whether or not the situations discussed might have been taken care of had the families had savings accounts.

Saving for Something Special

■ On the brighter side, talk about positive things that are worth saving for, such as vacations, holiday or birthday gifts, down payments on houses and cars, furniture, education, equipment for hobbies, and capital to start their own businesses with.

Ask the students if any of them have ever saved for something special, and ask them to share with the class how they

went about doing it. Discuss any pitfalls they may have run into. Ask them about anything that they are currently saving for, and how they are doing it.

"Ask the students if any of them have ever saved for something special."

This should prompt a lot of discussion, and you will probably find that students have saved by every method from piggy banks to having their money invested for them. If they are confused by any of the methods discussed, point out that they will be learning about these various methods in this unit.

Creeping Up On Retirement

Retirement is a special reason for saving that many students will have a difficult time getting concerned about. They haven't even graduated from high school yet—why, they ask, should they worry about retirement?

■ At this point you might have a class discussion about the pros and cons of beginning to save now for 40 years down

"Why, they ask, should they worry about retirement?"

the road. You might start the discussion by asking what they would like to see themselves doing when they retire.

Where are they going to get the money to do these things?

If Social Security were the only income they were receiving, would they be able to live in the manner to which they would like to have become accustomed?

Give It Time to Sink In

Many students may resent the idea of saving money for anything. They might feel that sacrificing goodies today is not worth the unpredictable benefits of a savings plan.

If after class discussion and much explanation you have still not been able to impress on certain students the value of saving, don't worry. You can tell them that you are sure that by the end of the course they will have given it more thought, and that the subject will come up again at a later date.

"They might feel that sacrificing goodies today is not worth the unpredictable benefits of a savings plan."

[NOTE: In Units 19 and 20 students will be faced with problems that will require a lot of money to solve. They should **not** be forewarned about these forthcoming developments. Those students not financially prepared to handle the problems will learn a good lesson. Those who are prepared will be rewarded for their far-sightedness by not having to revise their lifestyles (or budgets) to take care of the situations.]

THE BIGGER PICTURE: The Role of Saver/Investor in Our Economy

So far, students have examined and, hopefully, come to appreciate the importance of their roles as **Producers**, **Consumers**, and **Citizens** in the U.S.

economy. They've learned that as Producers they exchange for money their valuable resources, energies, and life-time with businesses that produce products Consumers want. As Consumers, they use the money earned to purchase or consume goods and services which relieve their felt-uneasiness (and return profits to businesses). Finally, they've learned that as Citizens the way in which they vote—in the ballot box or by participating in special-interest groups—can directly affect the price that they must pay for products in the marketplace.

■ The role of Saver/Investor is equally important. One way to begin an examination of this role is to tell the class:

A graduate of our high school has returned to his/er [you choose the sex of the graduate] *alma mater in search of the reknowned "Living Tomorrow Today" program. S/he wants to make you an offer you can't refuse. S/he has discovered a miracle formula that produces high-performance fuel from cowchips. S/he's willing to share the formula with you if you agree as a class to form a company immediately to produce the product. All research and testing are complete; the fuel will cost less, burn cleaner, and provide more miles per gallon than any other available.*

"S/he has discovered a miracle formula that produces high-performance fuel from cowchips."

■ List the words **Land**, **Labor**, and **Capital** on the board and discuss briefly the productive resources needed to begin production of "Chipahol": plenty of cowchips; people to purchase, pick up, deliver, and process the chips into Chipahol; plus the tools, equipment, and facility in which production takes place.

"Where will the class/company get the money to purchase the necessary productive resources?"

■ The essential question is, Where will the class/company get the money to purchase the necessary productive resources? In economic terms, these are called **capital formation funds**. With very little prompting, a number of alternatives should surface, such as:

1. Use one's own savings.
2. Borrow the money from a bank.
3. Sell shares of stock to a number of investors.
4. Solicit the money as a gift or donation from a number of wealthy energy-conscious philanthropists.

■ List the alternatives on the board, and

ask the students where a bank gets the money to make a loan (*from savings on deposit in the bank as well as from the Federal Reserve System via monetary policy*). Also ask where the investors and philanthropists get the money that they might contribute to the Chipahol venture (*from savings set aside from regular income or profits earned from other investments*).

■ Point out that most of the potential investment monies are derived from savings.

Savings Savvy

■ Review the fact that financial institutions are also businesses. What makes them special is that they make their incomes by the ways that they handle money:

Remember that the interest being paid on your savings account is a kind of "rent" that the bank pays you for the temporary use of your money. It is willing to pay you this "rent" because it can charge an even higher "rent" to its loan customers. If, for example, you are being paid 6% interest on your deposit, the bank might at the same time be charging a borrowing customer 12% interest on his/er loan. The difference between the two interest rates is not all profit for the bank, however. Out of its income the bank has to pay the six costs of doing business—just like any other enterprise.

Life After Piggy Banks

■ List the alternative depositories for savings and the distinctions among them:

There are four main types of institutions that handle savings. These are commercial banks, mutual savings banks, savings and loan associations, and credit unions. Money Market Funds are another form of savings.

Commercial Banks

Commercial banks offer checking account services as well as savings accounts. They also provide their customers with mortgage, auto, personal, and business loans, among others.

"Most commercial banks are protected by the Federal Deposit Insurance Corporation."

Most commercial banks are protected by the ***Federal Deposit Insurance Corporation (FDIC)****, a government agency that insures up to $100,000 per account in its member banks. To find out if your money will be insured by this corporation, ask about it or look for the FDIC decal in the bank window.*

Mutual Savings Banks

These banks specialize in savings. They mostly provide their customers with

mortgage and home-improvement loans, and don't get involved with the many other types of loans provided by commercial banks. Mutual savings banks are not found in all states.

Savings and Loan Associations

These institutions are not banks. They are made up of an association of people who pool their funds. These funds are then lent out to other people, for which service they are charged interest. The members of savings and loan associations own shares in the institution and receive dividends instead of interest in return for the money that they have invested. Most savings accounts in these institutions are insured by another government agency, the ***Federal Savings and Loan Insurance Corporation (FSLIC).*** *Find out if the association you are interested in is covered by this agency by asking, or by looking for the FSLIC seal in the window.*

Recent changes in the banking laws permit savings and loan associations to offer checking accounts as well as savings and loan services.

Credit Unions

Credit unions function in much the same way as savings and loan associations. One difference is that members usually have a common bond—they all work for the same company, or are members of some other kind of group. Another difference is that loans are made only to members of the credit union.

Money Market Funds

Part-savings account and part-investment, a money market fund can offer savers an interesting alternative. Essentially, the funds pool relatively small amounts of money from a large number of individuals and invest in the short-term loans to credit-worthy corporations, banks and even the U.S. government. Money market interest rates combined with high liquidity appear to be chief advantages. However, rates are not guaranteed, fluctuate and savings invested in a fund are not insured by the FDIC or FSLIC.

Emergencies & Opportunities

■ Turn next to specific reasons why your students should provide for savings in their budgets:

As discussed earlier, it is important to have a reserve of money for emergencies and for investment. What if you had to defend yourself in a lawsuit? Lack of reserve funds could ruin you financially. Or what if you had a clear opportunity to double your money in a year if you only had $1,000 to invest tomorrow? With a little forethought, you might prepare yourself to be able to take advantage of such an opportunity.

Turning Savings Into Investments

So what if you do save $1,000—why put it in a bank? One reason that people put their savings into banks it because their money is a lot safer there than it is under their mattresses or behind their socks in a dresser drawer. Another reason is that it is a way of investing money.

When you ***invest*** *your money, you put it to work for you. Your money makes more money for you. When it is deposited in a savings account, the amount you invest is called* ***principal.*** *The interest you make on it is called* ***return*** *on your money.*

*Savings accounts give you **fixed returns**. That is, you always know exactly how much your return will be because the interest rate stays the same. But conditions of deposits and rates of interest do vary from one institution to another.*

Features of Savings Accounts

The following are some things to keep in mind when deciding what kind of savings account to open:

***Time Deposits.** If you have a good chunk of money that you can do without for a while, time deposits are worth looking into. Large amounts of money left untouched in such accounts for agreed-upon amounts of time often yield higher rates of interest than regular "passbook" accounts.*

***Liquidity.** Be sure to find out exactly what the stipulations are concerning your access to your money. Will you be able to withdraw it before a certain date? What interest penalty is there, if any, for early withdrawal?*

***Grace Days.** Some institutions will give you interest from the first of the month on a deposit received anytime during the first 10 days of that month.*

***Bonus Interest.** In some cases institutions will pay extra interest on money that is kept in your account until the end of a quarter.*

***Interest Rates.** Have you shopped around to make sure that you're getting the highest interest rate you can on your deposit without causing yourself too much inconvenience? The highest interest rate may not be the best deal, however, if you have to sacrifice the quality of other needed banking services to get it. For example, you may want to put your savings where you have the best chance of getting an automobile loan—even if you can get slightly better interest on your savings elsewhere.*

Long-term Investments

The types of savings accounts so far discussed should be adequate to provide for the couples' savings for emergencies, opportunities, and major purchases. Savings for retirement or estate building or other sizeable future projects should probably be treated differently. You can tell your students:

Your savings accounts are very important to have for emergencies and opportunities and major purchases, but they are not always the best places for long-term investments.

The interest rate paid on your savings accounts may not keep up with the rate of inflation. This isn't much of a problem with short-term savings. Prices don't change that drastically from one year to the next. But if you started a savings account now to send your kids to college in 20 years, you would probably find when college time finally rolled around, that what you had in the account wouldn't buy anywhere near what it would have paid for 20 years earlier.

It is for long-term investments that you might think about some other possibilities. Some of them can be risky, but if gone into wisely, will probably pay off in the long run.

***STOCKS.** Stocks are shares in a company. Their price depends on variables such as the size, stability, and popularity of the*

company. Profit made by the company is either put back into the company for expansion, or paid to shareholders as dividends. Investors may realize two kinds of returns on their investments in stocks: quarterly dividend amounts and/or gains in the value of the stock as represented by the stock price. Fortunes have been made in the stock market, but they have also been lost. If no profit is made, shareholders receive no dividends. If the company doesn't grow, its stock is not likely to appreciate in value. If the company goes under, shareholders lose everything they have invested.

"Fortunes have been made in the stock market, but they have also been lost."

Buying stocks is a method of investment that should be entered into cautiously. Your choice of stocks will depend on what kind of risks you can afford to take. Brokers are intermediaries who, for a commission, arrange for the buying and selling of stocks. If you have a sum of money you would like to invest in stocks, it is to your advantage to obtain the advice and services of a broker. However, you are the best authority on your own circumstances, and you should educate yourself about the stock market before going into it to ensure that your investments match your circumstances and goals.

BONDS. Bonds are the choice of the more conservative investor. In this case you are also investing in a company by buying their bonds. But you do not get a percentage of their profits, or share in their losses. You are paid a certain agreed-upon interest rate until the bond matures or you decide to sell it.

Although the interest you receive on bonds might not keep up with inflation, it will be more than you would receive from a savings account, and you can normally get your original investment back. Local-government bonds, called "municipals," are exempt from federal income taxes, whereas money earned on a savings account is not.

MUTUAL FUNDS. In recent years, mutual funds have become a popular investment for small investors. Essentially, mutual funds are based on the assumption that the average individual lacks the time, temperament and resources to acquire and maintain expertise about the stock and bond markets. The fund pools the dollars of large numbers of small investors, hires professional investment managers, and invests in a wide range of stocks and bonds on behalf of the group. Different funds have different investment strategies, minimum investment limits, management fees and past performance records. As in all investments, you should research thoroughly before you invest.

T-BILLS. Treasury Bills are sold in denominations of $1,000, $5,000, $10,000, $100,000, $500,000 and one million dollars. Obviously, you need to have quite a bit of money to take advantage of this investment opportunity. T-Bills can be ordered by writing to the Federal Reserve Bank of New York or to any one of the 12 Federal Reserve district banks, for no charge. They can also be bought through commercial banks for a fee. T-Bills usually pay a good return when money is tight. You can find out if they are currently a good buy by consulting your banker or the financial pages of a major newspaper.

PROPERTY. *Real estate can be a great investment if you have a substantial amount of money and can afford to tie it up for a while.*

Real estate must be managed. You must be able to afford to pay property taxes while you own it, and you must have the time and money to take care of repairs and other expenses. If tenants are involved, there are other responsibilities that you will need to find the time for.

An advantage of real estate investment is that most of your expenses can be counted as tax deductions. You can also recover a certain percentage of your yearly costs through depreciation allowances.

Don't confuse ***real estate****, which is improved property, with* ***land****, which is vacant property. There is a big difference. There are no tax shelters for vacant land. There is usually no income to be gained from it as there are no tenants. But land does accumulate property tax bills. So you pay out a lot of money for no return until you sell the land. Putting money into vacant land is sometimes considered* ***speculating****, while putting money into improved property is usually considered* ***investing****.*

Remember, all of these alternative methods of investing your money are only courses that you might take ***after*** *you have provided for yourself with sufficient savings accounts, and life and health insurances!*

A Savings Strategy

■ Before they make their budget entries for savings, each pair should draft their **Savings Strategy** on a sheet of notebook paper, describing:

1. The amounts that they intend to set aside from their yearly incomes for emergencies and opportunities, purchases (e.g., a down payment on a car), and long-term investments.

2. What forms their savings will take (e.g., passbook savings account, time deposit, T-Bill).

3. The amounts of return on their investments that they anticipate getting.

A copy of the **Savings Strategy** should be retained by each student in his/er notebook.

A Plan for Giving

■ At this time the couples can also be encouraged to consider regularly setting aside an amount for charitable gifts as a way of "investing" in improvements in the quality of life for others as well as themselves. You can distinguish planned giving, where thoughtful attention is given to supporting one's values and beliefs, from accidental donations, where one may simply be responding to social pressure.

Worksheet Entries

■ Guide the students in making entries for Savings and for Charities on the **Monthly Budget** and on the **Summary of Life-time Costs**.

Tell them that near the end of the course they will be making entries on the **Year-end Balance Sheet**; their accumulated savings plus interest earned by the end of their first year together will appear on the Balance Sheet as an **asset**.

Eats, Drinks, & Merrymaking

Student Objectives

Upon completion of this unit, the student should be able to:

- describe in general terms the nutritional values of several different types of foods
- use a cookbook to determine quantities of food needed for a menu
- relate common types and sizes of food containers to the quantities of food needed by a family in one month
- compose food shopping lists based on advance menu planning
- determine the cost of putting together a month of meals
- compare the cost of home cooking to the cost of eating out
- discuss the effects of the laws of supply and demand in the "supermarketplace"
- define and use correctly the following economic terms: *equilibrium price, surplus, shortage.*

Teacher Preparation

Bring to the classroom various food containers of different sizes (quarts, gallons, 8-ounce jars, a stick of butter, a spice container, etc.).

Time Frame

Approximately 3-6 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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A Month of Meals

In this unit your students calculate and budget their monthly food expenses. By the time they have added their final calculations to their **Monthly Budgets**, they will have considered:

- ✔ the nutritional value of food
- ✔ the prices of food
- ✔ the cost of putting together a month of meals
- ✔ the cost of home cooking vs. the cost of eating out

They also examine the "bigger picture" of the effects of the laws of supply and demand on food prices.

Post-nuptial Nutrition

■ Introduce this unit to your students by explaining:

In this unit you are going to determine what percentage of your monthly income you want to spend on food.

Obviously, before you can decide how much you're going to spend on what you eat, you need to get a clear idea of ***what*** *it is that you do eat every month. How often do you eat at home? How often do you eat your lunch away from home? Do you buy fresh vegetables or frozen? There are some of the questions you should have answered by the time you complete this unit.*

■ Have a class discussion about nutrition. List the four basic food groups, and explain why people should eat food from each group two or more times a day. (See the nutrition chart below.)

Four Basic Food Groups

Group	Nutrients	Types of Food
1. Milk		
2. Meat		
3. Vegetable & Fruit		
4. Grain		

Ask your students for their input, since many of them are probably interested in nutrition, and some may even know quite a bit about it. (You might also consider offering extra credit for students who want to do special reports on the subject.)

Meaningful Menus

■ Tell the class:

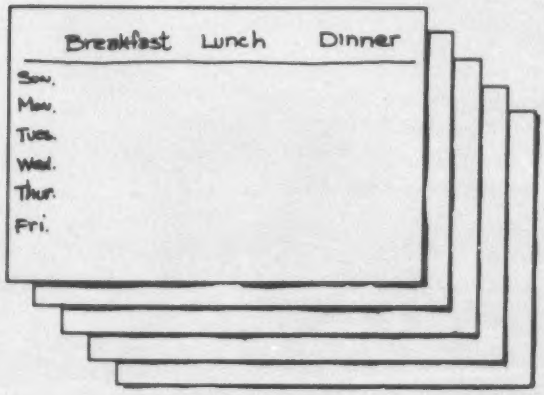
Now we are going to get down to specifics. In order to determine approximately how much you will be spending on food each month, you are going to create a series of menus that will cover a 30-day period. These menus will cover all meals, including those for company, and all food eaten away from home.

Once you have chosen your menus for a month, you will determine exactly how much food you will need to buy or what you will need to spend for those meals. By the end of this unit you will have calculated your food expenses for a typical month. If you think that sounds like a lot of work—you're right. Devising your plans for

a month of meals will require a lot of thought and time.

A Now-You're-Cooking Calendar

■ Now explain to the students that they need to make a 30-day calendar. Have them each take out five sheets of paper. The paper should be turned horizontally, and six days of the week written down the



side of each page. (This divides all 30 days evenly among the five sheets of paper.) Across the top of each page they should put the headings **Breakfast**, **Lunch**, and **Dinner**. Tell the students that they will be using these sheets to record their daily menus for the 30-day period.

■ Since coming up with a month of menus will take a lot of time, assign as homework to each student in a pair the job of choosing 10 days' worth of breakfasts, lunches, and dinners. Have each pair decide who is going to cover which 10 days, and then have them fill in their calendars with their menus. The specific amounts of ingredients needed for each meal should be listed with each menu.

"The specific amount of ingredients needed for each meal should be listed with the menu."

■ Have the students bring cookbooks to class the next day. At that time they should jointly (as pairs) choose the remaining 10 days' worth of meals, which should include those for company as well as eating out. (You may want to strongly suggest or require that each pair plan to entertain relatives and/or friends at least once a month in order to highlight the values evident in their proposed styles of entertainment; for example, they may plan very different dinners for their parents than for their friends.)

Of course, if students want to have more than 10 days' meals with company or eating out, they can revise or discard some of the meals already chosen as homework.

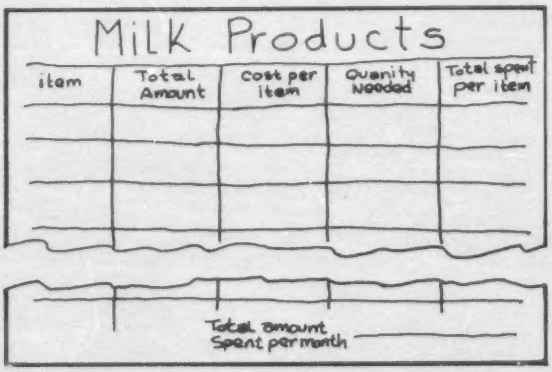
Once all meals have been chosen, students will need to determine the total quantity of food products that they will need that month.

Take six sheets of paper. Label them ***Milk Products, Meat Products, Vegetables & Fruits, Grains, Staples & Condiments,*** *and* ***Other.***

■ Next to each heading have the students write in examples of the category. These examples will help them later on when they are making lists of the food they will need to buy.

Examples of the first four headings can be taken from the **Four Basic Food Groups** chart. Examples of **Staples** and **Condiments** include flour, sugar, coffee, ketchup, and seasonings. Examples of **Other** might include such items as potato chips, soft drinks, and candy.

■ Explain to the students that before they can use them, they need to finish designing their food charts. They should draw a line across the top of the page under each heading. Under that dividing line they should make columns such as those listed in the example below. (Put the example on the chalkboard so that the students can copy it in making their charts. The columns will, of course, cover the depth of the page.)



Boxes and Bottles and Jars

■ At this point it would be helpful to provide the class with a varied display of food containers in different sizes (quarts, gallons, 8-ounce jars, a stick of butter, a spice container, etc.). The display will aid them in determing how much of each item they consume in a month.

■ Explain to the students:

You may know that you go through a bottle of ketchup every month. But what size bottle? How many ounces are in it? And how much does it cost?

These samples will help you determine how much you consume of different products in one month. Each one is marked to indicate the quantity of the product contained in the package.

"You may know that you go through a bottle of ketchup every month. But what size bottle?"

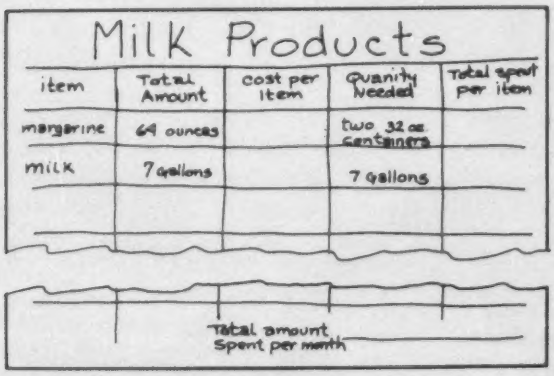
You will be making a trip to the supermarket soon, so if you don't have any idea of what size container you're used to buying, don't panic. You can determine that when you get to the supermarket.

Charting Consumption

At this point the students have completed their 30-days of menus and have recorded how much food they will need for each meal in the month. They have also completed designing their food charts. Now they are ready to determine exactly how much food they will consume in a month.

■ Explain to the students:

☐ *Working from your menus, use your food charts to list all of the items you will need for your 30-days' worth of menus, and how much you will need of each item. Based on the quantity needed, determine how many pounds, jars, boxes, or whatever you are going to need of each item, and enter that number in the column marked* ***Quantity Needed****. Consult the example on the chalkboard for guidance.* (Put the following example that might be found on the **Milk Products** chart on the chalkboard.)



For restaurant meals, use your chart labeled ***Other****. List "Restaurant Meal" in the* ***Item*** *column, and the price of the meal in the* ***Total Spent Per Item*** *column.* (Students should bring in as many neighborhood restaurant menus as possible to use in determining the costs of eating out.)

Remember to keep these things in mind as you fill out your charts:

✔ *If your meal plans require special appliances or utensils that need to be purchased, to back to the Furnishings & Appliances section of your* ***Monthly Budget*** *and add in their costs.*

✔ *Costs for restaurant eating must include tips, parking, and coat checking.*

✔ *If you are "brown-bagging" your lunches, you must include the price of bags or lunch boxes.*

✔ *List all snacks!*

"Costs for restaurant eating must include tips, parking, and coat checking."

Up and Down the Aisles

Having charted their probable consumption in a month's worth of eating, your students should be ready for a trip to the supermarket. This can be accomplished individually as homework, or as a class field trip. In either case, students should take their food charts with them.

■ To prepare for their supermarket shopping, give the couples these directions:

☐ *Take your food charts with you to the supermarket.*

☐ *You may divide your "shopping" list between you and your partner to cut down on task time.*

☐ *Locate each item on your list.*

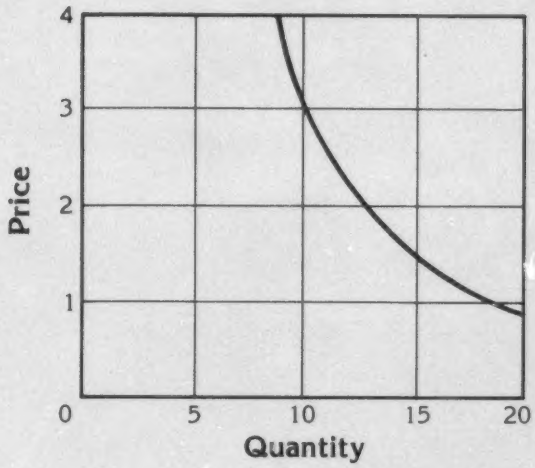
☐ *Record the cost of each product under* ***Cost Per Item*** *on your chart.*

THE BIGGER PICTURE: Supply, Demand, and the Cost of Eating

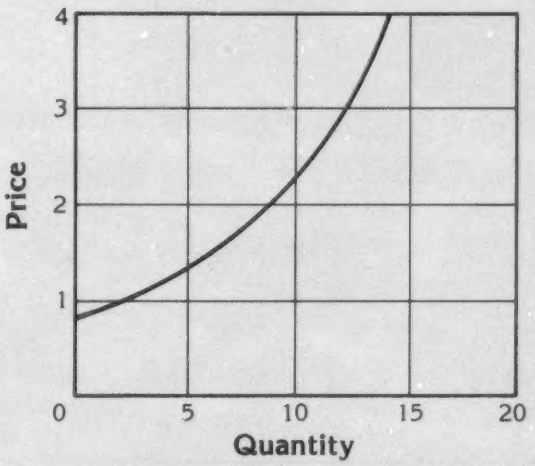
Having done some rather intensive food price-shopping, your students should be motivated to consider the operation of the laws of supply and demand in the 'supermarketplace.' In a short lecture, you can cover points such as the following:

Nowhere are the laws of supply and demand more obvious than at the grocery store.

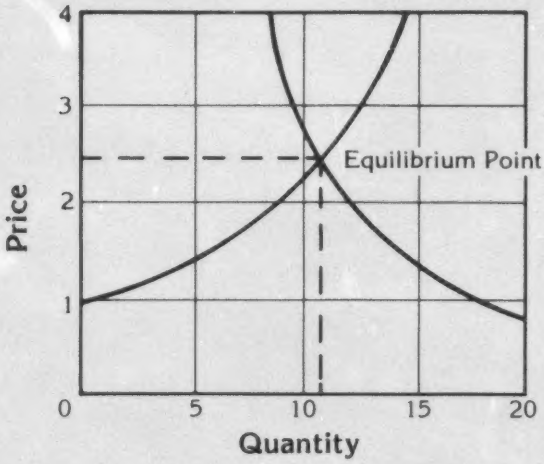
Remember our earlier discussion of the ***law of Demand? There is a tendency for the quantity of a good or service purchased to increase as the price falls.*** *By "demand" we mean not merely what is wanted or desired. Rather,* ***demand is the schedule of amounts or quantities of a product that a consumer will seek to purchase at a corresponding schedule of prices.*** [Put chart on chalkboard.]



We also talked about the ***law of supply*** *in earlier lessons:* ***the tendency for the quantity of a good or service available for purchase to increase as the price rises.*** *By* ***supply*** *we mean* ***the schedule of amounts of a good or service that the seller will offer for sale at a corresponding schedule of prices.*** [Put chart on chalkboard.]



The point at which the price represents a perfect balance between the quantity supplied and the quantity demanded is called the ***equilibrium price.*** [Put chart on chalkboard.]



Example: Many of your students may be presently employed as checkers or baggers at local markets and have participated in taking inventory. Few, however, will understand that one of the important reasons for inventory-taking is to gauge supply and demand and determine the equilibrium price.

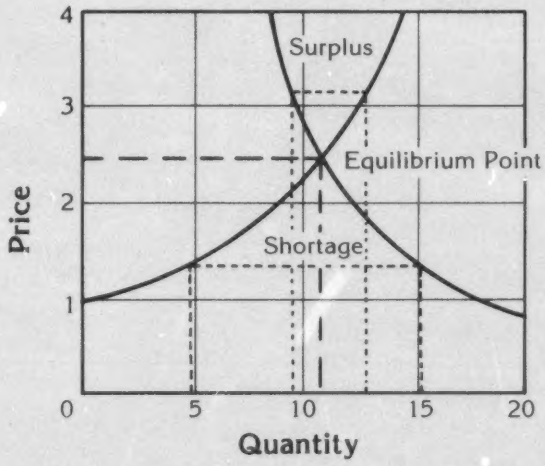
You can explain it this way:

Suppose that a store has a shelf full of a particular canned good, priced at $1.00 a can. If in one week only one can sells, the store manager sees that he has too many cans and not enough sales (a ***surplus****), and he concludes that the price is too high. Acknowledging the law of supply, he drops the price to 25 cents a can—hopefully, to activate the law of demand.*

"Not only are all the cans gone, but angry customers are screaming."

The next week, not only are all the cans gone, but angry customers are screaming for more of this incredible bargain, complaining about false advertising, etc. By dropping the price too low, the manager has not only created a ***shortage****, he's also alienated a number of his best customers.*

In terms of the supply and demand curves, he's misjudged the equilibrium price. [Put chart on chalkboard.]



In contrast to our example of misjudgment, when pricing decisions are are based on careful inventory-taking to determine existing supply and demand, prices will drift toward the equilibrium point, and there will be neither surpluses nor shortages.

"He's misjudged the equilibrium price."

We've seen how the laws of supply and demand work to establish prices. In fact, they come into effect only in cases where the price is the factor which changes. What happens, however, whenever some other variable comes into play besides price—for instance, when the store manager displays tiers of a particular canned good at the end of the aisle with a sign in big red letters saying ***$1.59*** *and in smaller black letters "everyday low price"? If, at the end of the week, all cans are gone, is this the law of*

demand at work? NO, quite simply a ***change in demand*** *is said to have occurred.*

What other ways does a store or a producer have to effect a change in demand without changing price? (1) Placement or location of a product on the shelf—people tend to buy things at eye level, so stores periodically place slower-moving items there without marking down the price. (2) Packaging or re-packaging in brighter, more inviting colors and designs. (3) Advertising.

"People tend to buy things at eye level, so stores periodically place' slower-moving items there."

Similarly, what factors other than a change in the price can effect a change in supply? For instance, if the canning industry finds a new, improved way to can green beans and suddenly there's more canned green beans in supply than ever before, is this the law of supply at work? NO, the laws of supply and demand are invoked with the relationship of changing prices to quantity only. In the case of an improved method of production, a ***change in supply*** *has occurred.*

There's yet another kind of situation where neither supply nor demand are related to price, and that's where ***quality*** *is the variable that is manipulated.*

Years ago a person could buy hamburger for 25 cents a pound, and what that person got was ground round steak. As time and inflation progressed, the cost of hamburger got higher and higher. One day, a smart butcher (noticing his meat case full of unbought burgers) decided, "I can't drop the price of round steak, but what if I use ground chuck or even ground-anything-else-that's-beef." And so he did, the price dropped, and people bought.

"They had the cheapest, best-selling hamburger in town until . . ."

At some point, however, some not-so-honest butchers thought that they might lower the price of hamburger still further by adding ground bone or even ground soybeans. They did, and they had the cheapest, best-selling hamburger in town—until a group of consumers got wind of it, took them to court, and the government ruled that all hamburger meat must be properly prepared (no bones or beans) and labeled.

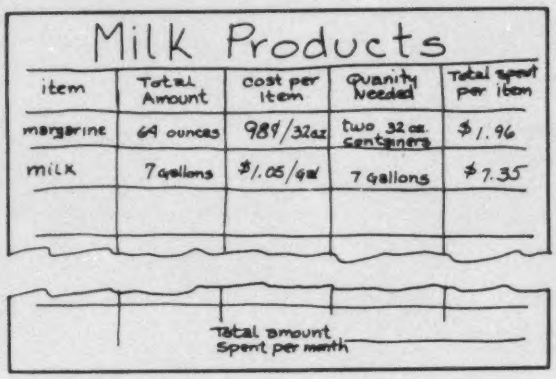
Up went the quality, but, of course, up went the price again as well. ***Political actions almost always have economic reactions.***

Cost Calculations

■ The next student task is to calculate the total amount spent per item per month. This can be done as homework, or in class. Explain to the students:

☐ *All that's left to do now is to multiply the number in the* ***Cost Per Item*** *column by the number in the* ***Quantity of Items Needed*** *column. Record your answer in the column marked* ***Total Amount Spent Per Item****. following the example on the*

chalkboard for guidance. [Put the following example on the chalkboard.]



■ Explain the margarine example to the students:

You have determined that you will need 64 ounces of margarine in the month.

Margarine comes in 32-ounce containers.

Each 32-ounce container costs 98 cents.

You will consume ***approximately*** *two containers of margarine in the month:* $2 \times 0.98 = \$1.96$.

Your total expenditure per month for margarine will be ***approximately*** $\$1.96$.

Grand Totaling

The students have now calculated their Total Amount Spent Per Item for everything on their lists. At this point all that's left for them to do is to figure out what their total food-shopping expenditure is for the month. This should be very easy—provided somebody has a calculator!

■ In order to determine their total expenditure for the month, the students have only to add together all of the figures that they have recorded in the column Total Amount Spent Per Item and record their answer in the space provided and on the appropriate line of the **Monthly Budget**.

An amount (in hours) for food and drinks should also be calculated and entered on the **Summary of Life-time Costs**.

Ruminating

■ Take some time to discuss the students' findings with them. Are they surprised? How do their final calculations compare with how much they thought at the outset of the unit that they would need to spend on food per month?

(You can give them a little comfort here by telling them that thanks to the superior productivity of American farmers, we only spend an average of 18 per cent of our incomes on food, whereas the British spend 30 per cent, and the Russians 40 per cent of each dollar that they earn!)

Some Easy-to-Swallow Tips

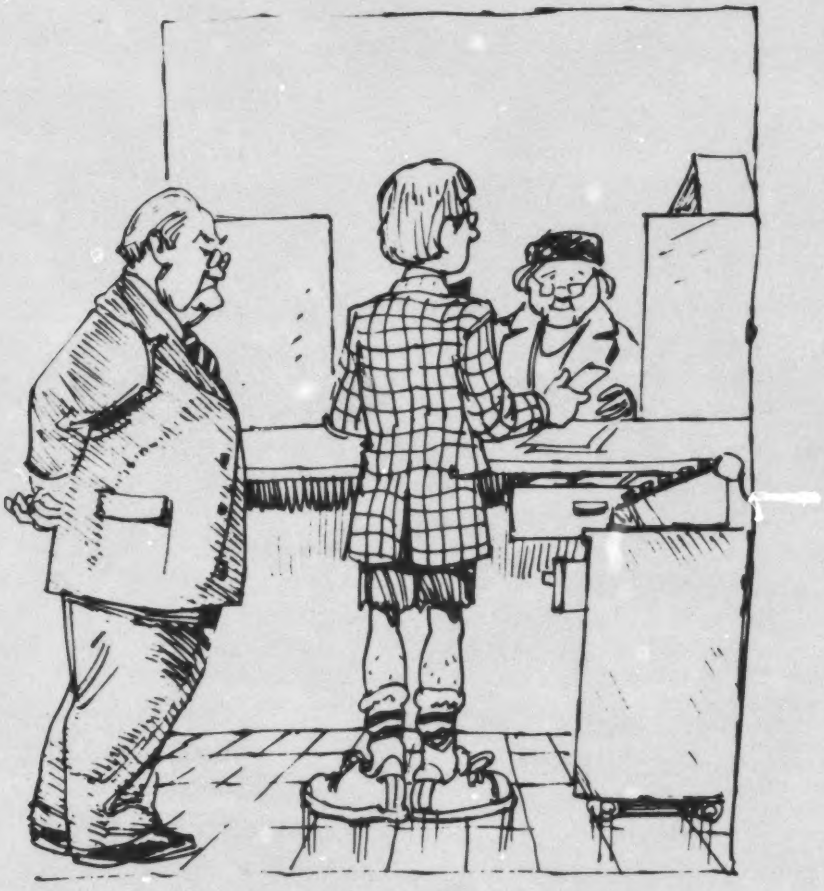
■ If your students are open to learning ways to reduce their food expenditures in the future, you can give them the following tips:

✔ *Always make your shopping list from a week of menus.*

✔ *Study the weekly market ads for specials.*

✔ *Don't go shopping when you're hungry!*

Can You Wear Jeans to Work?



Student Objectives

Upon completion of this unit, the students should be able to:

- analyze what clothes they will need to fit their lifestyles
- determine how much time and money they will need to spend per month acquiring clothes (establish a clothing allowance)
- calculate the cost per wearing of garments in their wardrobes
- discuss the value of buying clothes that are on sale
- analyze in terms of *life-time* invested the value of spending time to shop for less-expensive items
- comment on the price of being fashionable
- compare the cost-per-wearing of clothes that are priced low with those that are high priced
- explain the law of *diminishing marginal utility*
- discuss the ingredients in the selling price of a garment

Teacher Preparation

None.

Time Frame

Approximately 2 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Wardrobe Workout

The cost of clothing is an expense that can add up at an alarming rate if not kept track of. In this unit your students look at their lifestyles and at the careers they have chosen. They analyze what they will need in the way of clothes and determine how much time and money they will spend per month on acquiring them.

In the process, they become more aware of the dress requirements of certain jobs, as well as their own felt uneasiness about the wardrobes that they believe are necessary to present to others the image they have of themselves. They decide how much of their life-time they are willing to spend to project their images, and consider the variables affecting their clothing costs.

"They will decide how much of their lifetime they are willing to spend to project their images."

Unit activities include calculating the cost per wearing of their clothes, analyzing the value of buying at sales, and determining the value of spending time to shop for less-expensive items.

A Tale of Two Shirts

■ Introduce this unit by telling your students:

You've gotten married, bought houses or cars, and made other investments. All of these major expenses have been fitted into your monthly budgets. Now you will have a chance to budget a more common expense—buying clothes. Maybe you've already been doing this with your allowance or earnings. In that case it should be fairly easy for you to do. The only difference in our simulation will be that you now have more responsibilities and many more expenses than you used to have. But of course, you're also working full time and probably making more money. All of these variables will need to be taken into account.

"You now have more responsibilities and many more expenses than you used to have."

But before you start making up your budget, let's look at some of the factors affecting the cost of clothing.

The Case of the Fashionable Polka Dots

Let's start by taking a look at ***fashions****. Clothes that are "fashionable" are clothes that are "in style." That means that the same articles can soon go "out of style." One month you might be considered hot stuff in a polka-dotted shirt with a big*

floppy collar, and a few months later you might be considered something of a weirdo.

Not everyone can afford to be fashionable all of the time, and some people aren't

"A few months later you might be considered something of a weirdo."

interested in fashion at all. Maybe after doing a few calculations you'll see one of the reasons why.

Take this situation, for example: You have gone out and bought yourself one of those lovely polka-dot shirts with the big floppy collars that "everyone" is wearing. On the same day you also bought yourself a conservative, traditional, nothing-exciting-but-nice shirt. Each shirt cost you $20.

"Some people aren't interested in fashion at all."

Over the next month you wear the polka dots like crazy. Ten times, to be exact. You only wear the nothing-exciting-but-nice shirt a grand total of twice. What was your ***cost per wearing*** *for each for the first month?*

The polka dots only cost you $2 per wearing the first month. So far it would seem that the polka-dotted shirt was a better investment.

But wait. Over the next two years you only wear the polka dots ten more times. (Actually, you only wear it for the first four months after you buy it.) But that nothing-exciting-but-nice shirt? You've worn that one lots of times—100 times, to be exact, or about four times a month!

In two years you spent approximately $1 per wearing on the polka-dotted shirt. In the same two years you spent about 20 cents per wearing on the nothing-exciting-but-nice shirt.

Which shirt was a better investment? You can see why some people feel that they can't afford to spend their money on clothes that are fashionable.

Inexpensive or Cheap?

The same calculations can be used to compare the cost per wearing of clothes that are priced low with those that are high priced. The difference here is that the seemingly inexpensive clothes will likely fall apart long before the higher-priced (and better-made) clothes do.

Here's a typical situation: You and your friend go shopping. Your friend buys a pair of shoes for $30. You go searching around for something cheaper and finally come up with a pair for $10.

"You're feeling pretty smug about the whole thing until a month later when your big toe breaks through the front of your left shoe."

You're feeling pretty smug about the whole thing until a month later when your big toe breaks through the front of your left shoe. Before you know it, the stitching's coming out too, and you need to get rid of the shoes.

Q. *You wore the shoes every day for that first month. What was your cost per wearing? Your friend wore his shoes 200 times in a year. What was his cost per wearing? Who really got a better deal (and still has a pair of shoes)?* [Repeat the problem if necessary and give your students a chance to make the calculations before giving them the answers.]

A. *The cost per wearing of the "cheaper" shoes was 33 cents. The cost per wearing of the "expensive" shoes was 15 cents—less than half the cost of the first pair.*

A Few of Your Favorite Things

If you're feeling guilty about spending your money on an expensive clothing item you really don't think you can afford, a few more quick calculations might set your mind at ease.

Consider this example: You find a pair of grey corduroy pants for $10. You can't resist buying them (even though you're not crazy about the color grey) because they're so inexpensive—and they really aren't that bad looking.

That same day you also decide to splurge, and you buy a beautiful pair of dark-brown corduroy pants that you just love for $50.

Over the next six months you wear the grey corduroys three times. (You're never really in the mood to wear them, and it always seems like you can't find a shirt that matches them.) In the same six months, you wear the brown pants twice a week, or 64 times.

Q. *Which pants were a better buy in terms of price per wearing?* [Repeat the problem if necessary and give your students a chance to make the calculations before giving them the answer.]

A. *The brown pants cost you 78 cents per wearing; the grey pants cost you $3.33 per wearing.*

THE BIGGER PICTURE: Diminishing Marginal Utility

■ There is an opportunity here to illustrate the operation of the economic law of **diminishing marginal utility**:

What your nothing-exciting-but-nice shirt and your well-worn pair of brown corduroy pants had in common was what economists would call high ***utility****. These garments gave you a lot of need-satisfaction ("utility") for the money.*

In the cases of the shirts and the pants we were comparing two garments with each other to see which was the better buy. But let's take a look now at a little different type of situation.

Assume that there are available to you in your particular shopping haunts ten winter coats. All of the coats fit you equally well. All are equally attractive to you at the outset. All cost the same amount of money, $250.

Let's say that you buy two of the coats, and that you can afford to buy a couple more. Even so, would you "feel like" the third and fourth coats were worth $250 each to you? Or would each additional coat seem a little less desirable and therefore not be "worth" as much to you as the previous one?

If your answer were "yes," you would be experiencing what economists call ***the law of diminishing marginal utility****. They use the term* ***marginal utility*** *to mean "the extra utility added by one extra unit of a good." What the law says is that with successive new units of the good, your total utility (satisfaction) will grow at a slower and slower rate because your psychological ability to appreciate more of the good becomes less keen. The law can be put this way:* ***As the amount of a good that you consume increases, the marginal utility of the good (the extra utility added by its last unit) tends to decrease.***

Can you think of some other examples of this law in action?

Sales: Some Pros & Cons

What about shopping for bargains? There are some pros and some cons to shopping at sales. First, let's consider the pros.

Some people are experts at shopping sales—they wouldn't dream of paying full price for anything. They know about all of the discount stores, and about every holiday sale of the year. Buying clothes this way can really pay off. Here's how.

"Some people are experts at shopping sales—they wouldn't dream of paying full price for anything."

It's the middle of January. You've just inherited $300 from a rich uncle, and you're not sure what to do with it. Your parents are pressuring you to put your money in a savings account. They tell you that you can make 5% interest on your money, and that in six months you'd have about $7.50 more than you started with.

"You've just inherited $300 from a rich uncle, and you're not sure what to do with it."

You think that sounds like a sensible idea, but you're not sure if you want to do it. You've just put another hole in your favorite sweater, and the rest of your winter clothes are also on their way to the rag factory.

Usually you buy your winter clothes in the fall, but you've noticed that there are some great end-of-the-season sales going on, and you decide to take advantage of them.

"You've just put another hole in your favorite sweater, and the rest of your winter clothes are also on their way to the rag factory."

You go out and spend every last cent of your inheritance on new sale-priced winter clothes.

You are pleased at first because you've gotten $400 worth of clothes for your $300. Your parents, however, are displeased because you've been "irresponsible"—spent all your money and not opened a savings account. You begin to feel a little guilty, thinking that maybe you've done the wrong thing.

Q. *But have you? What was the better investment in this situation? What per cent of return on your money did you get by spending it on clothes that you knew you were going to need six months down the*

road? Compare that with the 5% return you would have gotten by putting your $300 in the bank. [Repeat the problem details if necessary and give your students time to make the calculations before giving them the answers.]

A. *In six months your $300 would have earned about $7.50, or 5% interest in a savings account. In that same six months, you got an extra $100-worth of clothes—or a 33% return on your $300 investment—by buying your winter clothes at an end-of-season sale.*

On the other hand, there are some arguments ***against*** *always shopping for discounted prices. Picking up a shirt for half price may seem like a good deal, but if it takes all day to find it, maybe it's not as much of a bargain as you think.*

Take this situation: You get up early Saturday morning to start hitting the after-Christmas sales. You're looking for a yellow shirt to wear with your new jacket. By 9:00 you arrive at your first store. You don't see anything on sale that you like. At 4:00 in the afternoon you are still trudging around. Finally, you find exactly what you want, at a price that can't be beaten: a gorgeous yellow shirt for only $6.

"If it takes all day to find it, maybe it's not as much of a bargain as you think."

Q. *The question is, was it worth your time?*

A. *It took you from 9:00 a.m. to 5:00 p.m. on your day off to find the shirt. If you had been working for the minimum wage ($3.35 an hour) during those eight hours, you would have made $26.80. Looking at it in that way, you might say that the shirt cost you $26.80 + $6.00, or $32.80—in the dollar value of life-time and cash spent.*

"The question is, was it worth your time?"

Q. *How much dollar-value of life-time (at $3.35-per-hour wages) and cash would you have had to spend if you had gone straight to your favorite store, found something you liked in an hour, and bought it for $15?* [Allow time for calculation before giving the answer.]

A. *The shirt would have cost you a total of $18.35 in total life-time and cash spent. You would have spent $14.45 less in life-time and cash than you did by shopping the sale, in addition to which you could have been out enjoying your day off for the other seven hours that you spent trudging around.*

THE BIGGER PICTURE: Components of Clothing Costs

This is a good time to examine some of the ingredients in the selling price of a typical garment and to look at the narrow margin of profit that the clothing manufacturer must struggle to maintain.

To introduce these topics you can give a **Quickie Quiz** like the following one.

■ List these items on the chalkboard, and ask your students to make the match-ups of items to their related costs:

1. Fabric	a. $100.00
	b. 13.50
2. Labor	c. 2.50
	d. 17.50
3. Other manufacturing costs (tools, technology, taxes, gov. regulations)	e. 50.00
	f. 16.50
4. Manufacturer's profit	
5. Retail store costs (marketing, labor, overhead, profit)	
6. Total price of garment	

*[**Answers:** 1-f, 2-b, 3-d, 4-c, 5-e, 6-a. Based on industry averages for women's clothing.]*

■ *Discuss the correct answers to the quiz, probing for any answers that took the students by surprise (the manufacturer's profit amount is a likely candidate here). Then ask some follow-up questions like these:*

What could happen to the total price of the garment if any one of these costs increases? (The price could go up.)

What is such an increase in price called? (**cost-push inflation**)

What could happen to the price of this garment if the designer/manufacturer only made 10 of them, but 1,000 wealthy women each wanted one? (The price could go up.)

What is this kind of increase in price called? (**demand-pull inflation**)

How could the manufacturer lower the price? (by lowering costs)

What are some specific ways that the manufacturer might lower costs? (by increasing productivity; by having laborers in Taiwan do the sewing, by decreasing the quality of the fabric, etc.)

■ You can expand on the last point by telling your students that the reason that they're seeing more and more clothing labels from other countries is that many countries have lower labor costs than the U.S. In 1976, the last year that comparative figures were determined, the average hourly wage of garment makers in the U.S. was $3.41; in South Korea it was 27 cents.

In fact, the garment industry illustrates very well the growing phenomenon of global economic interdependence. It's not unusual for a garment to be designed in the United States, the fabric purchased from Europe, the sewing performed in the Orient, and the final marketing done in the U.S. and in other countries as well.

■ A follow-up discussion based on the **Framework of an Economic System** (introduced in the second unit of the course) can identify the positions of the various components of garment cost in the overall scheme of economic activity.

The production of a pair of denim jeans might be an illustrative example that most of your students could relate to.

Back in the Closet Again

■ Returning to the task of setting up a clothing budget, you might give your students a few tips with regard to monitoring the costs of clothing care as well as the costs of the articles themselves. (These can be listed on the chalkboard.)

Before you decide to buy an article of clothing, it's smart to answer questions like these, so that you can factor in the costs of maintaining your wardrobe:

✔ *Does this garment need to be dry-cleaned, and how much will that cost?*

✔ *Will you need to handwash the item, and is it worth your time to do that?*

✔ *Could you sew the article that you need, and would it be worth your time to do so?*

You should also be aware that the FTC (Federal Trade Commission) requires clothing manufacturers to attach care labels to their garments so that you can know the best way to clean them. To protect your clothing investments, be sure to check these labels before throwing your favorite things into the washing machine.

Investing in Vestments

Now that you've considered many of the variables important in the buying of clothes, you are ready to think about your budget for the next year.

☐ *First, think about the career you've chosen. What will the job entail? Will you be sitting behind a desk or behind a wheel? Will you be working inside or outside? Will your job require you to wear a suit and a tie, a uniform, a skirt and a blouse—or can you wear jeans to work?*

"Will you be sitting behind a desk or behind a wheel?"

☐ *Consider your current wardrobe. Do you already own the clothes that you'll need to wear on the job? And what about clothes to relax in?*

Maybe you think that you already have all the clothes you need and will want to skimp on this category of your budget. But be honest! Now is the time to decide what clothes you'll be buying until the end of the year. (And don't forget the clothes you may need to buy for special occasions, such as weddings and parties.)

Your ultimate task is to record your estimated clothing expenses on your

Monthly Budget. *But before you do that, rough out your purchasing plan on a separate sheet of paper.*

Analysis of Clothing Needs

■ Have each student divide a sheet of paper into three vertical columns. [See example.] Have them label the columns with the following headings: **Months of the Year**, **Work**, and **Fun**. Then have them divide the paper into 13 horizontal lines, creating rows for each month of the year, and an additional row at the bottom for the total amount to be spent.

■ Then, on another sheet of paper, each student should make two lists. One list should include only clothing items that the individual will need in a year of **work**. This list might include items such as uniforms, shoes, socks, stockings, pants, and dresses. Remind them not to forget jewelry and other accessories as well.

The second list should include all of the clothing items they will need in a year of **fun**. This list might include many of the same items as on their work-clothes list (such as stockings and shoes). but it could also include clothing such as bathing suits, blue jeans, and ski jackets. Obviously, for each student what is needed for work and what is needed for fun are going to differ.

When the listings are complete, the students are ready to estimate their monthly expenses for the entire year.

■ Using the clothing lists as references, and keeping in mind all of the cost variables discussed earlier, they should fill in the rows of their worksheets. They should try to determine realistically how much they are going to spend each month on both work- and fun-related garments.

■ Once all of the rows have been filled in, they should add up the columns and record their totals at the bottom of the worksheet.

Monthly Budget Fill-in

■ Then they should divide by 12 to determine the average monthly expenditure for clothing. This amount, their clothing allowance for a month, is to be recorded on the **Monthly Budget**. An amount should also be entered for wardrobe maintenance (laundry, dry cleaning, repairs).

Summary of Life-time Costs

■ The last activity of the unit is the calculation of the cost of clothing in "hours"; this amount is posted on the **Summary of Life-time Costs**.

Yours, Mine, & Ours: Misc. Expenses

Student Objectives

Upon completion of this unit, the student should be able to:

- differentiate individual from shared costs
- give examples of household and personal expenses
- explain the importance of a flexible household and personal budget
- determine how much is spent on the average per month on miscellaneous expenses by him/erself individually and by him/erself and his/er homemaking partner jointly
- establish a monthly allowance to cover miscellaneous household and personal expenses
- calculate the *life-time* cost over a year of miscellaneous household and personal expenses
- list methods for getting one's money's worth
- define and use correctly *impulse buying*

Teacher Preparation

None.

Time Frame

Approximately 2 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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They Can Add Up!

This unit contains activities that can open student eyes to the ways that miscellaneous daily expenses can add up to a significant amount. It also gives them an opportunity to differentiate individual from shared costs and thus to take responsibility for their own acts within a partnership context.

■ To begin the unit, you can explain to the students:

Budgeting for day-to-day expenses is no easy task. Household and personal expenses fit into this category, which serves as a catch-all for most everything that's left when the other major expenses have been accounted for.

What's In the Catch-all?

Exactly what types of items are we discussing here, when we talk about household and personal expenses? As stated earlier, this budget category serves as a catch-all. It covers most of the items that haven't already been covered under single categories such as housing, food, and clothes.

"Some people go overboard."

What would fall under this category are items such as lawnmowers, nail polish, shoe laces, vacations, gifts, light bulbs, and movies. Kitchen utensils, doctor bills, haircuts, and shampoo are some other examples. You can see how quickly the list can add up. And that's exactly what we're going to do next.

■ Put the following list of subcategories across the top of the chalkboard (as column headings):

Education
Entertainment/Recreation
Gifts
Hobbies
House & Garden Items
Medical/Dental/Drugs
Personal Hygiene & Cosmetics
Vacations

Students should make contributions to the listings under these sub-categories until they feel that they are fairly comprehensive. This activity will give everyone a chance to share their ideas about what should be considered personal and household items.

Once the listings are completed, the student pairs will be ready to start budgeting their own projected personal and household expenses. Their budgets, of course, can include items that weren't on the chalkboard list composed by the whole class.

■ But first, tell them that:

Some people go overboard to control expenses in the miscellaneous category, devising complicated systems that are almost impossible to follow. Others neglect the category, thinking that the minor expenses will take care of themselves.

Neither of these approaches works very well. Even the most budget-conscious people will go mad trying to keep track of every last penny spent. And those who don't make any allowance for the "smaller" expenses will soon find themselves up to

their necks in doctor bills and installment payments.

Flexible, But Controlled

A budget that's going to control household and personal expenses needs to be flexible. Realize that in one particular month you might have to cut down on entertainment so that you can buy yard equipment. That's what is nice about this category. It **can** *be flexible, unlike expenses such as rent and car payments, which are constant. But it must be controlled!*

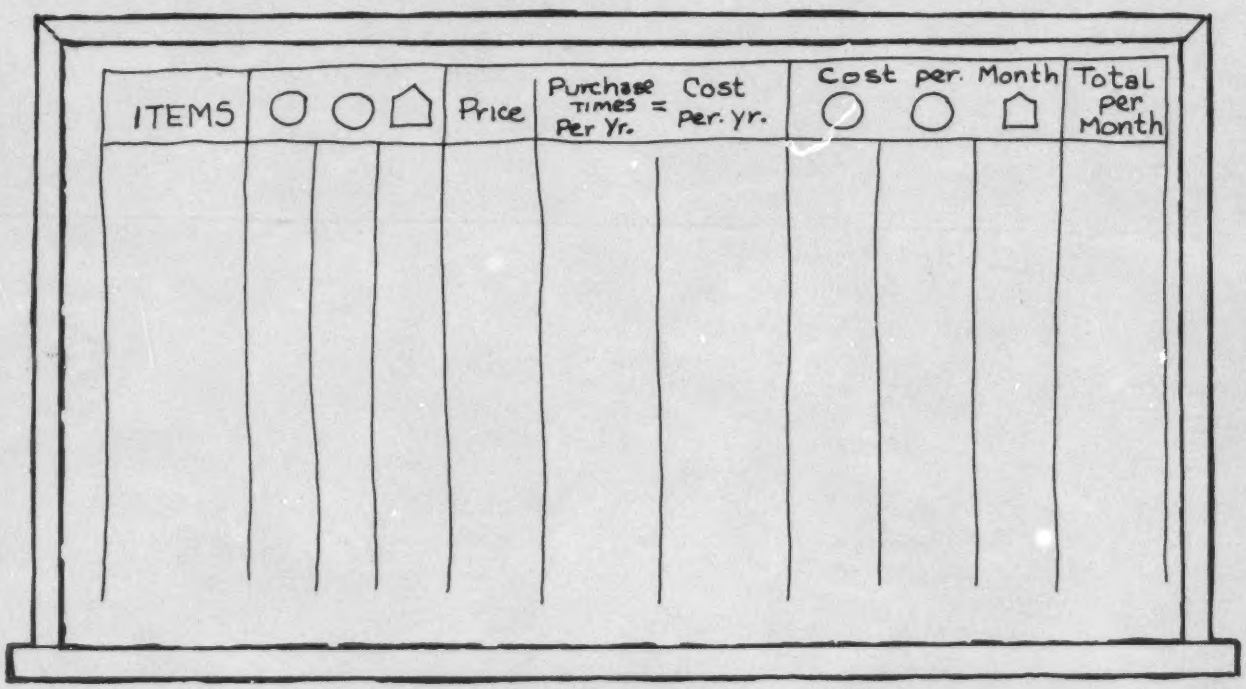
If you don't keep track of household and personal expenses, you might find yourself without rent money at the end of the month. And beware of impulse buying. Do you really need to buy a rawhide toy for Rover that costs $3? What's wrong with the common bone?

"Do you really need to buy a rawhide toy for Rover?"

Questions to Keep in Mind

There are some questions to keep in mind when you are deciding whether or not to buy something in the "miscellaneous" category: How does it fit into the grand scheme of things in your life that month? Are there more important cost items looming in view that should be taken care of first? Being able to decide what to buy now and what can wait until later is a useful skill to have.

A "Yours, Mine & Ours Chart"



■ Copy onto the chalkboard the charting example provided here, and explain to the students:

This chart is arranged so that you will be able to see who is buying what, and how much it is costing you.

Each couple should take a blank piece of paper and make a copy of the chart headings. ***But don't fill in any of the columns yet.*** *The information that has been filled in is only there to give you a better idea of what you're supposed to do next.*

Here's how to do the chart:

☐ *Put your own listing of the subcategories with their related personal and household items down the left-hand column. If you don't have enough room, start a new page.*

Think carefully about each subcategory. For example, under Entertainment/ Recreation decide how often each month you'll recreate and what you will do. Under Vacations consider when vacations will be taken. Where will you go? How long will you stay? What will you be doing? If your Hobby is listening to recorded music, determine how many tapes or record albums you're going to buy in an average month. Gifts can be a real surprise! Decide how many of each partner's relatives and friends will receive Christmas, birthday, and special-occasion gifts (like those for Mother's Day, weddings, confirmations, and graduations).

Make your last entry one marked "CONFIDENTIAL." You should put some money for each of you into this category. It can get very oppressive and damaging to a relationship if you have to account to your partner for every cent that you spend! Give yourself some secret psychic space and some resources to nourish it.

"Give yourself some secret psychic space and some resources to nourish it."

☐ *Put a mark in the box under the name of the person who is buying each item. Or if it is a household expense, put a mark under "Household."*

☐ *Record the price of the item.*

☐ *Record how many times per year you expect to buy this item.*

☐ *To come up with the "Cost Per Year" figure, multiply the price of the item by the number of times you expect to buy it in one year.*

☐ *To calculate the "Cost Per Month" breakdown, divide the "Cost Per Year" by 12 (months), and record your answer under the name of the person who is making the expenditure or under "Household."*

☐ *Bring all figures recorded in the columns under "Cost Breakdown Per Month" to the far-right column. This will give you "Totals Per Month" for each item.*

☐ *By adding the amounts in the "Cost Per Year" column, you will determine your total expenditures per year for both personal and household items combined.*

☐ *In the "Cost Per Month" columns, you will find out how much each of you, individually, will be spending per month on*

personal items. You will also determine how much per month you will be spending together on household items.

☐ *In the final column marked "Total Spent Per Month," you will add the amounts to determine how much you will be paying out per month on all of your personal and household expenses combined.*

☐ *In the process of working through this chart you may discover some inequities in your spending habits that you'll have to discuss. Be prepared to negotiate some compromises, using the communication skills that you've learned.*
[Your students will probably be very surprised when they discover how much they will be spending on "small" expenses!]

Entries on the Budget Forms

■ Direct that each student transfer the "Total Spent Per Month" from his/er chart to the appropriate line of the **Monthly Budget**. This amount should be labeled an "allowance" because the amount actually spent will vary from the budgeted amount from month to month. An entry should also be made for the yearly cost in life-time hours of each individual's share of the miscellaneous expense category.

Optional Exercises

The following optional exercises have no right answers. They only serve to point out a few lifestyle options, giving students chances to think further about what is important to them.

☐ *Choose three items from your list, two personal and one household. Determine the life-time exchange for each.*

☐ *Through discussion (or research if necessary) establish the approximate costs of going to a movie once a week for five years and of buying a videotape recorder along with enough blank tape to record 100 movies. Determine the life-time cost for each. How much more life-time would you need to exchange for one than the other? Do they really represent equivalent entertainment value for you? Why, or why not?*

Getting Their Money's Worth

■ Here are a few more hints for getting their money's worth that you might want to pass along to your students:

✔ *Know when it pays to buy quality.*

✔ *Study the conditions of guarantees, and be sure to fill out necessary forms.*

✔ *When the outlay is substantial, do research to find the best price for the item. (This is as important for a low-cost item that you buy many times as for a high-cost item that you buy only once.)*

✔ *Beware of bargains.*

"Understand your lifestyle."

✔ *Look out for built-in obsolescence: design changes that force customers into buying new items, or making them think that they should.*

✔ *UNDERSTAND YOUR LIFESTYLE. Don't try to build an unreal image.*

Batten Down Your Budget

Student Objectives

Upon completion of this unit, the student should be able to:

- calculate his/er year-end federal income tax and complete Form 1040 (assuming uncomplicated financial circumstances)
- define and correctly use the following economic terms:
  negative cash flow, itemized deductions, tax bracket, tax credits, tax advantages, income tax refund
- renegotiate budgetary decisions based on an estimate of the amount of income tax (or refund) due at year end
- design a system for keeping track of actual income and expenditures relative to budgeted amounts

Teacher Preparation

- Reproduce sufficient copies of *Federal Income Tax Form 1040* for distribution of two copies to each student
- Obtain and make available in the classroom reference copies of *Your Federal Income Tax*

Time Frame

Approximately 3-5 periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Plan-Polishing Opportunities

Your students have been making simulated financial plans throughout this course. They began by outlining their goals and assigning the amounts of life-time that they wanted to invest in goal fulfillment. Then they proceeded category by category through drawing up **Monthly Budgets**.

"Some pairs may have budgets that if put into practice would put them 'in the hole' at the end of a month."

There have been opportunities for learning and for give-and-take between partners and for trade-offs all along. Even so, their plans probably can still use some polishing. Some pairs may have budgets that if put into practice, would put them "in the hole" at the end of a month. Others may have serious discrepancies between their budgets and their original allotments on the **Ladder of Goals**.

In this unit, they'll have a chance to make the adjustments needed to make their plans more reality-oriented—and therefore more livable.

"Others may have serious discrepancies between their budgets and their original allotments on the Ladder of Goals."

After they've made some adjustments, they go through what could be considered the ultimate American Puberty Rite—simulating completion of a year-end Federal Income Tax form! As they discover that they are in line for either an additional tax payment or for a refund of overpayment, they'll find that they need to make additional adjustments in their financial plans.

"In this unit, they have a chance to make their plans more reality-oriented—and therefore more livable."

It is important for them to realize that the amount of income tax paid in a given year is not just the amount mailed in with the 1040 form but that amount plus all amounts withheld from pay.

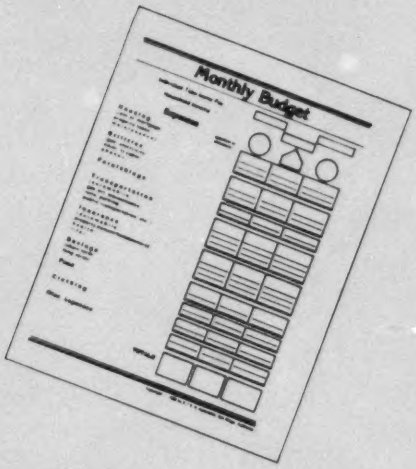
The last activity of the unit is their design and dry-run application of a **Budget Control Chart** covering 12 months of simulated household spending.

"They go through what could be considered the ultimate American Puberty Rite."

Tying Up Loose Ends

■ You might begin this unit with a discussion of your students' reactions to their experiences thus far. Are there any loose ends? What kinds of problems have they had? Do any remain unresolved?

■ Tell them that the activities in this unit will give them opportunities to tie up loose ends and to adjust their plans in ways that should make them more livable.



Renegotiate Monthly Budgets

■ Start the adjustment process with a review of their **Monthly Budgets**. Did any pair end up with "negative cash flow" (plans to spend more than they make)? Or are any not really satisfied yet that their plans can't be improved upon?

"Did any pair end up with 'negative cash flow'?"

Tell them that while there are some financial circumstances in which negative cash flow may be acceptable, it is definitely **not** acceptable in this case—where a **Monthly Budget** reflects average expenditures over a year.

And this is the time for them to re-open discussion of their budgetary decisions: to renegotiate to get the best results that they can.

If some pairs are quite satisfied with their budgets while others are not, you may want to assign the satisfied pairs to be Consumer Counselors for the other pairs through the rest of this activity. Encourage practice of all the communication skills that they have learned.

■ Direct the student pairs who are going to be re-working their Budgets to [1] determine some possible changes, [2] discuss the effects the proposed changes might have on their lifestyles, and [3] make adjustment decisions, altering their Budget entries accordingly.

"They should discuss whether their spending plans will help them achieve the goals that they originally set for themselves."

Plans that Agree with Each Other

■ The **Ladder of Goals** should be reviewed next, and compared with the **Summary of Life-time Costs** that has evolved as the couples developed their budgets. They should discuss whether their spending plans will help them achieve the goals that they originally set for themselves. If not, the entries on one or the other (or both) of the forms should be changed to make them compatible, mutually supportive. And the **Monthly Budget** may have to be tinkered with again, to bring it into agreement with the other planning sheets. (Throughout this adjustment process, your students should be practicing their communication skills.)

"Throughout this adjustment process your students should be practicing their communication skills."

It's 1040 Time

■ Distribute two copies of **Federal Income Tax Form 1040** to each student and reference copies of **Your Federal Income Tax** for groups of students to share. (The extra copies of **Form 1040** can be used for rough drafts.)

■ Tell the students that they are to assume that their first year's expenditures are represented by 12 times the figures on their **Monthly Budgets**. They are also to assume that last year's tax forms (the only ones available from the government) can be used to calculate their tax bills—even though in "real life" the tax laws may change from year to year.

"Married couples will probably find it to their advantage to make out joint returns."

■ Help them get started on their tax work-ups by referring to the Table of Contents at the beginning of **Your Federal Income Tax**: the sections on Adjustments to Income, Itemized Deductions, and Credits. They can use the listings in these sections as guidelines for highlighting or asterisking those sections of the **Monthly Budget** that represent potential tax deductions or credits. They should also be made aware that in "real life," they should retain receipts that substantiate expenditures in these categories.

"You can circulate around the room, offering your expert services as a tax adviser."

■ Direct them to follow the instructions on the forms and in **Your Federal Income Tax** and to fill in the forms. Each roommate should make out an individual return. Married couples will probably find it to their advantage to make out joint returns.

"The amount of tax paid per year consists of the total taxes deducted from wages throughout the course of the year, plus or minus amounts refunded or owed at year end."

If you wish, you can circulate around the room, offering your expert services as a tax advisor.

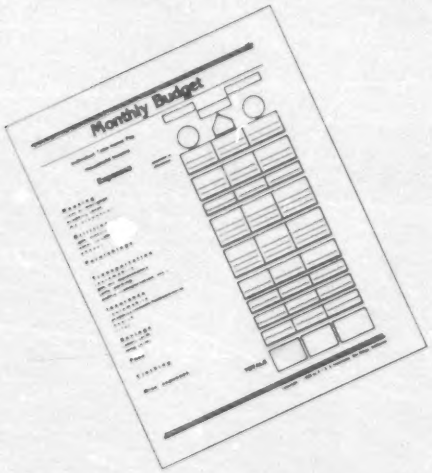
■ Debrief the tax-return activity, emphasizing that the amount of tax paid per year consists of the total taxes deducted from wages throughout the course of the year, plus or minus amounts refunded or owed at year end.

Bring out, also, the tax advantages realized by the home owners in the group, which have the ultimate effect of reducing their cost of housing. If an individual or a couple are in the 30% tax bracket, for example, then the cost of their housing is effectively reduced by 30% of the interest and real estate taxes paid during the year. (Of course, this amount gradually decreases over the life of a mortgage, as the proportion of principal to interest increases.)

"Bring out the tax advantages realized by the home owners in the group."

More or Less Disposable Income?

When their tax returns are completed, your students will find either that they owe an additional tax payment beyond what was withheld from their paychecks or that they are due a refund.



■ **A student who is likely to owe taxes** at year end should go back to the drawing board again with his/er **Monthly Budget**, revising to reduce expenses enough to be able to save each month an amount equal to 1/12th of the additional tax due at year end.

■ **A student who is likely to get a tax refund** can go back to the **Monthly Budget** and enter the tax refund as an addition to Take-home Pay on both pages of the form. Then s/he can increase either expenses or savings by an amount equal to the projected refund. (An increase in savings would be the safer choice, in view of the uncertainties of the tax laws and the possibility of making a mistake.)

Adjusting Life-time Costs

■ Final adjustments to the **Summary of Life-time Costs** can be made at this time as well, and be followed by a discussion of how the students feel about their life-time investment plans.

Designing a Tracking System

The last activity of the unit is the design and application of a system for keeping track of actual income and expenditures and comparing them with the budget plan.

"In any month of household spending, the actual amounts expended will be higher or lower than the budgeted amounts."

■ Tell your students that the **Monthly Budget** does not reflect reality, but rather an ideal—or a plan—based on **predictions** of average expenditures. In any month of household spending, the **actual** amounts expended in many of the budget categories will be higher or lower than the budgeted amounts.

■ Their assignment is to design a recording form for 12 months that will:

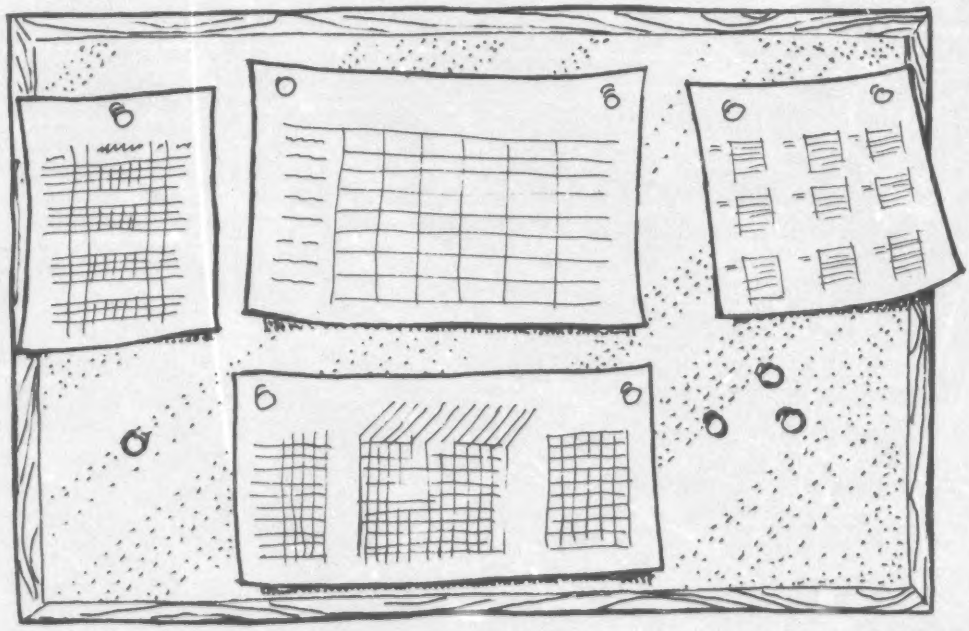
1. show the budgeted amounts in all major categories;

2. provide spaces for entering amounts actually spent; and

3. provide some way(s) of reflecting the relation of actual spending to the budget and of keeping track of the balances remaining available for spending at the end of each month.

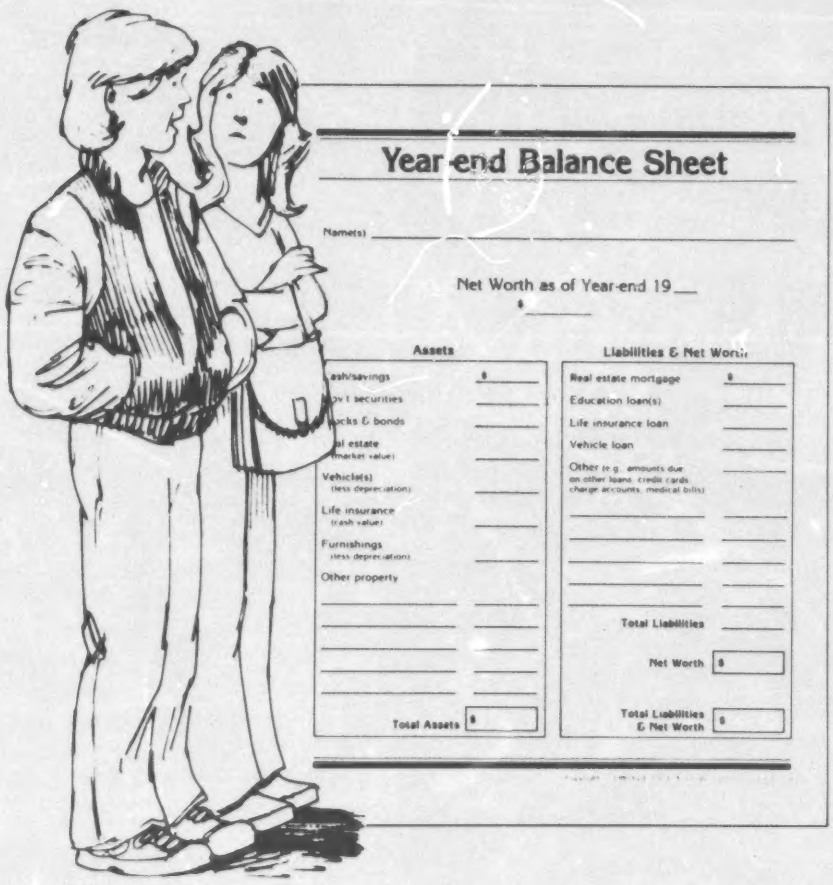
"As they are designing their forms, they should try them out with assumed actual figures to see if the forms are convenient to use."

As they are designing their forms, they should try them out with assumed actual figures to see if the forms are convenient to use.



■ After the final designs are rendered, the forms can be displayed. A contest can be held to determine the best designs by having the students circulate around the display and vote for their top choice(s).

Balance Your Balance Sheet



Student Objectives Upon completion of this unit, the student should be able to: • explain the concept of net worth • discuss the factors affecting a person's ability to obtain credit for purchases and investments	• define and use correctly the following economic terms: *financial statements, income statement, balance sheet, profit, assets, liabilities, net worth, positive cash flow.* • prepare an individual or joint income statement reflecting income received, payments, expenses, and savings over a given period	• prepare an individual or joint balance sheet reflecting financial condition at a given point in time **Teacher Preparation** None. You've earned a rest. **Time Frame** Approximately 1 class period.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
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Determining Net Worth

This brief but important unit has as one of its main objectives helping the students understand the concept of **net worth** and its relation to one's ability to obtain credit for major purchases or investments.

Financial Statements

■ Introduce the unit by referring students to their copies of the **Year-End Balance Sheet** form and by telling them:

*There are two kinds of **financial statements** commonly used to show the financial condition of an economic entity—whether it's an individual, a family, or a business. These are the **income statement** and the **balance sheet**.*

*An **income statement** takes a form very much like your **Monthly Budget**. Only it reflects income and expenditures that have actually taken place over a certain period of time—usually a month or a quarter or a year. Your checkbook register is a kind of rough draft for a personal income statement.*

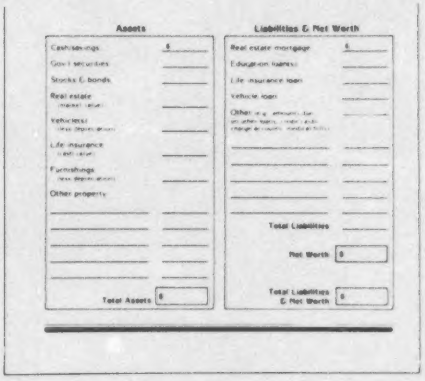
*For a business the amount left over after all expenses have been subtracted from income is called **profit**. (In an earlier lesson on the components of clothing costs we saw that the amount of profit is often a very small percentage of business income—on the average, about 4 or 5 cents out of each dollar of sales.) For an individual or a couple the amount left at the end of a spending period is given no particular name, but it can be considered to be savings.*

These savings of an individual or a couple can in a later period either be spent on living expenses or be invested in things that have tangible worth—like securities, or real estate, or precious metals.

*This brings us to the second major kind of financial statement—the **balance sheet**. This statement shows financial condition as of a given date in time. It shows all that is owned at that time and all that is owed, and the difference between what is owned and what is owed.*

*The things that are owned are called **assets** on the balance sheet. The amounts that are owed are called **liabilities**. If more is owned than is owed, this difference is called **net worth**.*

"This difference is called *net worth*."



*Take a look at your **Year-End Balance Sheet** form. You'll see that assets are displayed in one section. Liabilities and net worth are listed in a second section. The totals of the two sections have to equal each other—that's why the statement is called a "balance sheet." In other words, your assets equal your liabilities plus your net worth.*

One way to acquire assets is to borrow money to buy them, but if your debts were to equal your assets, you would have no net worth. You might own a million dollars worth of oil wells at the end of a year, but if you owed the bank a million dollars then too, you'd have a only a "paper fortune" with no net worth at that point in time.

Similarly, people have earned fabulous incomes and yet ended their lives poor—because they didn't manage their affairs in a way that would build their net worths.

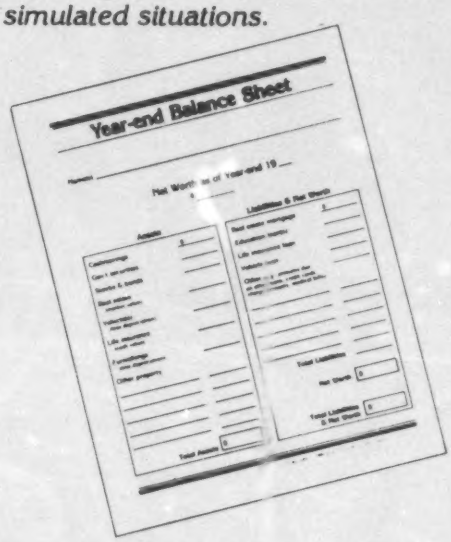
So the real measure of your wealth, of the size of your "estate," is your net worth—the amount that you own over and beyond the debts that you have.

When You Want To Borrow Money

That's why when you want to borrow money, a financial institution will ask you to submit a personal balance sheet with your loan application. Your net worth gives evidence of your ability to pay back the loan by converting your assets into cash.

But that doesn't mean that your income statement isn't important too. It is. The financial institution really expects to be paid back out of your current income; it will only go after your assets as a last resort if you don't make your loan payments. So when a loan officer looks at your income statement, s/he is looking for ***positive cash flow****, or some money left over at the end of a time period, after you've paid all your current bills.*

The things that we've studied so far in this course have prepared you to fill out an income statement if you ever have to in the future. What we're going to do now is work on completing a balance sheet for each of your simulated situations.



The Year-End Balance Sheet

■ Help your students complete their **Year-End Balance Sheet** forms based on the assumption that they are at the end of a year of spending according to their budgets.

Roommates of course complete them as individuals. Married couples list their joint assets and liabilities. Remind everyone to include any assets or unliquidated liabilities that remain from what they brought with them to their newly formed households at the start of the simulation.

Summing Up

■ Conclude the unit with a discussion of how the students feel about their net worths at the end of one year of simulated economic activity.

Are they satisfied with their accumulated "wealth"? Why, or why not?

What strategies, if any, would they be interested in pursuing in the future to increase their net worths?

A Dependent Drops In To Stay

Student Objectives

Upon completion of this unit, the student should be able to:

- determine what costs are entailed in caring for a dependent
- adjust financial plans to take into account the additional costs of dependent care
- recompute taxes and disposable income to take into account a deduction for a dependent

Teacher Preparation

- Prepare slips of paper for drawing. (See instructions in unit guide.)
- Reproduce sufficient copies of the following for distribution to all students: *Dependent Description, Due Unto Your Dependent, Yearly Money Planner, Form W-4, Monthly Budget, Year-end Balance Sheet.*
- If time allows, also reproduce and distribute new copies of the following to all students: *Federal Income Tax Form 1040, Summary of Life-time Costs.*

Time Frame

Approximately 3 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

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Supporting Another Human Being

This round of simulation activity challenges your students to apply all the skills that they've learned so far. They have to make wrenching accommodations in their lifestyles and illuminating adjustments of their financial plans . . . when a dependent drops in to stay.

"They have to make wrenching accommodations in their lifestyles and illuminating adjustments of their financial plans."

This intervention is based in the reality that most people—in one phase of their adult lives or another—are responsible for the support of at least one other human being.

In our simulation the "married" couples at the beginning of their second year together are blessed with new-born infants (or twins!) and the roommates with an elderly or infirm relative or a free-loading friend. Each pair must then determine all the costs that caring for a dependent will entail.

They recompute their withholding taxes and their disposable incomes; develop a new **Monthly Budget** for their second year together; make out a **Federal Income Tax Return** reflecting their new exemption; calculate life-time costs; draw up a new **Year-end Balance Sheet**; and finally, discuss their insights from the unit activities.

Draw-a-Dependent

■ You can start the unit by holding a drawing of lots from two "hats," one hat with pink and blue slips of paper, the other with green, white, and yellow slips. (On a couple of the pink and a couple of the blue slips you can write 'TWINS.') The first hat is for the married couples to draw from (one draw per couple), and the second for the roommates (one draw per pair). A flip of a coin can decide who makes the draw in each pair.

Proud Parents & Reticent Roommates

■ After the drawing, announce the results:

Congratulations to those of you who drew ***pink*** *slips! You are the proud parents of a bouncing baby girl, born at 2:30 a.m. this morning. Start thinking about what you're going to name her. Later on, you can figure out how you're going to keep her in a style to which she'd like to become accustomed.*

For any of you who drew ***blue*** *slips, guess what! You are the proud parents of an adorable baby boy. See if you can come*

up with a name for him. Later on, you can figure out how you're going to support him—and I don't mean with a backpack.

Did any of you draw a pink or a blue slip with the word 'TWINS' on it? Well, as you may have guessed, you're doubly blessed!

"You can figure out how you're going to support him—and I don't mean with a backpack."

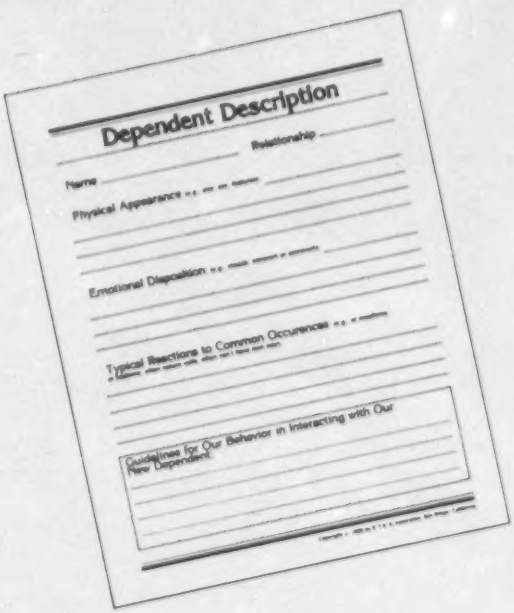
Some of you roommates drew ***green*** *slips. This means that you have a dependent dropping in to stay, too. In your case it's your Cousin Clara, who has come down with monomania—a progressive regressive disease. She can endure it only with your help and encouragement. Her savings have been drained; and because she is a recent widow under the age of 62 who has never worked outside the home, she does not qualify for Social Security. Maybe she can get other welfare assistance. It's up to you to find out.*

"It's your Cousin Clara, who has come down with monomania—a progressive regressive disease."

A roommate with a ***yellow*** *slip can look forward to the company of Uncle Howie. He's getting on in years and has become mentally and physically unable to manage his day-to-day affairs without constant assistance. Always his favorite, you are the only relative he feels comfortable with. He resists advice and refuses help from anyone else. Uncle Howie has only a few hundred dollars in savings, but he does have a minimum retirement pension from Social Security.*

Each roommate with a ***white*** *slip is reunited with a long-lost friend, who once saved your life and earned your undying gratitude. Now your friend is down on his/er luck and appeals to you to let him/er stay with you until s/he can get his/er act together. Your friend has no marketable skills and has been unemployed for the last three years.*

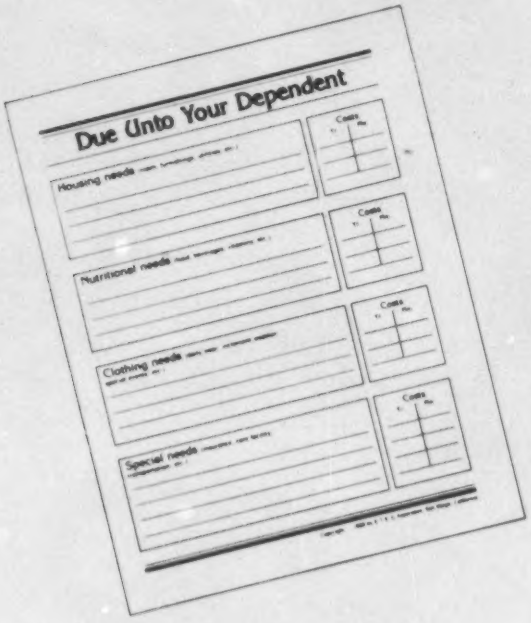
"Your friend has no marketable skills and has been unemployed for the last three years."



Dependent Description

■ Distribute the **Dependent Description** worksheet and encourage the students to flesh out their fantasy dependents with

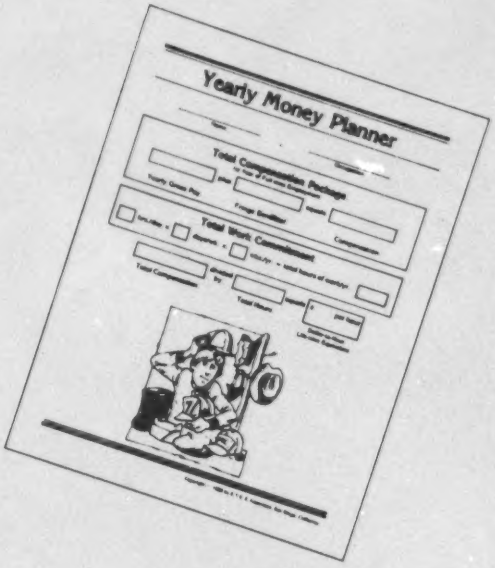
life-like features and characteristics. (They'll feel more like planning to support dependents who seem real to them!)



Due Unto Your Dependent

■ The next task is one of the most time-consuming of the unit: completion of the **Due Unto Your Dependent** worksheet. This requires research into all the dependent's possible needs for the next year, and the cost of fulfilling those needs.

A need that will probably cost the most to satisfy is the need for constant physical care. Here they should be encouraged to investigate **all** the options: one or both partners' cutting back on work time in order to spend more time with the dependent (have them weigh short- and long-term career risks when looking at this option); a baby sitter or household aide; a day-care center; a coop nursery or senior-care facility; etc.



Yearly Money Planner (Recycled)

■ Now they are ready to start the process of comprehensive financial planning for their second year—with their dependents taken into account. The first step is to consider the income section of a fresh copy of the **Yearly Money Planner**.

"They'll feel more like planning to support dependents who seem real to them."

☐ *Compared to last year, will there be any* ***decreases in income****? Will mama or papa take time off following the birth of their child? Will mama's maternity leave be with pay or without? (Many employers do not treat maternity as an insured disability.) Will there be any other decrease in either wage earner's income as a result of caring for the dependent?*

☐ *With regard to possible* ***increases in income****, you can assume an increase of up to 10% over last year's earnings—if you can justify in writing how you're going to get it. There are two basic ways that an individual can increase his/er personal* ***productivity*** *(income): [1] by increasing his/er resource base, or [2] by making more efficient use of his/er resource base. That means either increasing your skills through education or training or using your skills more efficiently so that your employer (or clients) will pay you more. You decide which it will be, if either, and write a brief scenario entitled "How I'm Going to Increase My Income."*

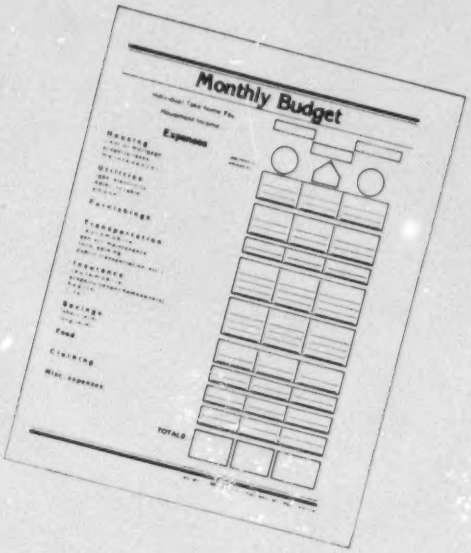
"Many employers do not treat maternity as an insured disability."

☐ *Even though it's not very realistic, we'll simplify your second-year planning a little by* ***not*** *requiring that you adjust income and expenditures to allow for assumed* ***inflation****.*

Roommates who have Uncle Howies with them can be reminded to add Uncle's Social Security checks to their household income at this time.

New Form W-4

■ The next step is for anyone who is going to claim a dependent for income tax purposes to complete a new **Form W-4**. Remind them that two people cannot claim the same dependent for tax-withholding purposes.



New Monthly Budget

■ On the basis of the new number of exemptions per household, withholding taxes for the second year can be computed, and take-home pay determined. Then divisions by 12 can be made and figures transferred from the **Yearly Planner** to a fresh copy of the **Monthly Budget**.

■ Now begins the thoughtful process of filling out the **Monthly Budget**, incorporating all the costs listed on the **Due Unto Your Dependent** worksheet as well as considering some other possible expense areas not listed on that sheet.

Rethinking

■ Advise your students to:

✔ *Rethink your housing needs—should you move to larger quarters? What costs would a move entail?*

✔ *If you do move to a bigger habitat, will your utility costs go up? How much?*

✔ *What new furnishings will you be acquiring? How will you pay for them—cash or credit? Are you still making payments on last year's purchases? Don't forget to include them on this year's budget.*

✔ *If you add to your furnishings, will you need to increase your property insurance? How much will your new premiums be?*

✔ *Will adding your dependent to your health insurance policies increase your premiums in this category?*

✔ *Review your life insurance needs, and consider providing more coverage.*

✔ *Think about increasing emergency savings to cover something like a leave without pay from your job or skilled nursing should your dependent get sick and need special care.*

✔ *Include in your food and drink budget the cost of what your dependent will consume.*

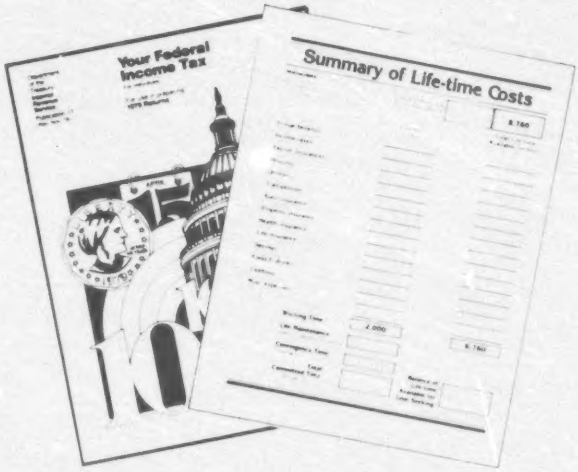
"Don't forget new miscellaneous personal and household expenses—like a babysitter when you go out on the town."

✔ *Add in the cost of your dependent's clothing and the cost of any additions to adult wardrobes caused by lifestyle changes or normal wear and tear.*

✔ *Don't forget new miscellaneous personal and household expenses—like a babysitter when you go out on the town.*

✔ *And if you've projected yourself into a hole after you've worked through all the budget categories, go back through them again and figure out where you can cut back. Keep cycling through until you've got something you could really live with.*

"Keep cycling through until you've got something you could really live with."



It's 1040 Time Again

■ When the second-year **Monthly Budget** has settled into place, a second-year **Summary of Life-time Costs** can be completed.

■ If time allows, you can also have your students fill out a second-year **Federal Income Tax Form 1040** and then, as they did before for the first year, adjust their **Yearly Money Planners** and **Monthly Budgets** to take into account taxes due or expected refunds.

The Debriefing

■ The culminating activity of the unit should be a debriefing of the effects that a dependent had on the couples' fantasy lifestyles and spending patterns.

You can ask too:

If you could go back now and re-do your first-year budget, what would you do differently—knowing that a dependent was on the way?

And Fate Has Some Surprises

Student Objectives	Teacher Preparation	Time Frame
Upon completion of this unit, the student should be able to: • relate careful money planning and saving to the ability to cope with unexpected events	Copy a set of the *Fate Cards* and prepare them for the drawing.	Approximately 2 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

Day 1 ***Homework:***	**Day 2** ***Homework:***	**Day 3** ***Homework:***
Day 4 ***Homework:***	**Day 5** ***Homework:***	**Day 6** ***Homework:***

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Farther Into the Future

At this time your students are probably either gloating over their brilliant handling of the dependent situation, or bemoaning the financial stress they are suffering because of it. Whatever they're feeling, they are surely glad to be done with the dependent unit, and would be happy never to rearrange their budgets again.

Unfortunately for them, they will not be let off the hook so easily. At this very moment—just like in real life—fate has some more surprises in store for them. Coping with these surprises will give them opportunities to apply many of the insights and skills that they've gained from the **Living Tomorrow Today** program.

What's Your Fortune, Cookie?

■ Tell the students:

Even though it isn't every day that you will be faced with a situation such as having a dependent drop in to stay, you will often be faced with many less drastic but nonetheless important situations that will require deviating from your usual pattern of living.

You are about to face such a situation. At this point in our course you should be in a good position to make educated decisions about how to deal with the unexpected. You should have a good working knowledge of your budget, and you should have a rough idea of where you could cut back in your spending to handle an emergency. You should also have a few ideas about what you might do with a little extra money that might come your way.

In this unit you will find out how well you can deal with unexpected events, and whether or not your budget can tolerate them. You are going to play a game in

"You will find out how well you can deal with unexpected events, and whether or not your budget can tolerate them."

which each pair of you will draw a ***fate card****. On the card will be described a situation that has come up in your lives. It*

"It could be as bad as a flooded house, or as good as a trip to Europe."

could be as bad as a flooded house, or as good as a trip to Europe for two.

Carry On and Cope

Whatever fate has in store for you, you will need to talk about the situation with your spouse or roommate, and between the two of you, decide how to handle it. What is

"Between the two of you, decide how to handle it."

your financial situation? What course would be the most financially and emotionally sound for you to take? Why is that? Is it worth the life-time spent?

■ At this point you should have a drawing for the **fate cards** (one per couple), or distribute them in any other manner you might find preferable.

■ Tell the students:

☐ *Read your* ***fate card*** *carefully, and take 15 minutes* [or however long you would like them to spend on it] *to discuss the situation with your partner.*

☐ *Briefly outline on paper your financial situation, your decision about how to handle your fate, your reasons why you decided what you did, and how it will affect your budget. (Assume that you're in the last month of your second year together.) When everyone is ready, we will go quickly around the room, sharing fates and decisions about how to handle them.*

■ When all students are ready, begin going around the room sharing experiences. One person in each pair should be responsible for reading their **fate card** aloud to the rest of the class, and reporting on their situation and the decision made about how to handle their fate.

Once this has been done, other students are free to approve or disapprove of the course taken. Be sure to monitor discussion so that criticism is constructive.

A Fateful Discussion

After all experiences have been shared, lead a general discussion about the value of savings and careful money planning. Ask the students to participate in making a list on the board of possible problems and opportunities that would be impossible to handle well without sufficient funds.

Wrap Up Your Lifestyle

Student Objectives

Upon completion of this unit, the students should be able to:

- describe their possible future roles as producers, consumers, citizens, and savers/investors in the American economy
- give examples of ways that many individuals acting similarly can have an impact on the movement of the national economy
- tell how they might relate their learnings from the course as a whole to possible future economic events

Teacher Preparation

- Reproduce sufficient copies of the illustrated chart *An Overview of the American Economy* for distribution to all students.
- Reproduce sufficient copies of the *Pre-/Post-Test* for distribution to all students.
- Select and reproduce any other final examination materials required.

Time Frame

Approximately 3 class periods.

Unit Plan

As you are going through this section of the Guide in preparation for your classes, you may want to mark any of the following items that will need your advance attention. Space has been provided for you to make notes within each category.

☐ **Speaker(s)**	☐ **Audio-visual aids**
☐ **Materials to obtain**	☐ **Reproducibles**
☐ **Teacher research required**	☐ **Testing**

How many class periods you actually spend on this unit is up to your discretion. (The Time Frame on the previous page gives an estimate of the amount of time needed.) The following chart is provided to help you with your day-to-day breakdown of activities in your planning.

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Overview/Review/Preview

Hopefully, some time will remain at the end of the semester to wind up the **LIVING TOMORROW TODAY** program in style.

You can summarize your students' economic learnings with a "bigger picture" lecture/discussion that places the multiple roles they have examined within an "Overview of the American Economy."

And then a more general discussion session can give students a chance to look back on all the course experiences, to reflect on their learnings, and to share their reactions both with you and with their classmates.

A culminating activity that can almost guarantee that the course will have future impact is the preparation and planting by each student of a "Living Tomorrow Today Time Capsule" to be unearthed by them at a later date.

THE BIGGER PICTURE: Now Playing—Overview of the American Economy

Now that your students are familiar with their economic roles as Producers, Consumers, Citizens, and Savers/Investors, they should be ready to examine how these roles fit into an overview of the American economy.

■ You will want to supply each student with a copy of the chart **Overview of the American Economy** and perhaps explain it this way:

Nearing the conclusion of our course, we can look back on all the roles in your

economic repertoire: Producer, Consumer, Citizen, and Saver/Investor in our society. Now that you know your parts, let's look at how they fit into the overall script of the U.S. economy.

"Now that you know your parts, let's look at how they fit into the overall script of the U.S. economy."

We started with your role of ***Producer*** *when you researched your career opportunities and determined which occupation you wanted to pursue. On the handout chart, you can see yourself in the* ***Labor and Other Resources*** *line marching into the* ***Production*** *facility.*

As a consequence of your contributions to production, you got ***Pay****, which you can see in the illustration coming out of the pay window and flowing into the pocket of you in the role of* ***Consumer****. That is, a piece of your pay went into your pocket. In your role as* ***Citizen*** *you contributed a piece of your pay to the government—in the form of* ***taxes****. As* ***Citizen****, also, you were at least indirectly responsible for the legislation by your elected representatives*

which required you to pay those taxes.

But it was in your role as **Consumer** *that you really got busy: deciding just which of all those* **Goods and Services** *pouring out of the* **Production** *cornucopia you wanted to buy and what you could afford to pay for them. You'll remember we said in our discussions of the* **Law of Demand** *that how you and other consumers decided to spend your money had a lot of influence on what got produced and what the selling prices were.*

In a sense, too, you are a **"Citizen Consumer."** *Part of your "real income" is in the form of goods and services which you consume through the public sector—such as roads, public education, beaches, parks, campgrounds, and national defense. You are a consumer of both private goods and services and public goods and services. If the government is inefficient in providing services, or if you don't like the ones it provides, then you can attempt to get changes through the vote.*

In your role of **Saver/Investor** *you had to provide for your and your family's future security. In the process you also made a valuable contribution to our economy's future growth because through the magic of banking and other mechanisms, your savings could be turned into business investments in new productive resources.*

But you and your companion consumers weren't the only spenders. There was **Government Spending** *too, which you voted for or against (at least indirectly) in your role of* **Citizen**. *You'll remember from our unit on Credit that government spending accomplishes more than simply buying government services for the citizenry. Through the* **fiscal policy** *of the government, there is control of the amount of spending relative to the amount of taxation (income to the government). The purpose of a sound fiscal policy is to counteract swings of the business cycle and to help maintain a growing, high-employment economy free from excessive demand inflation or deflation. The fiscal policy has a partner in accomplishing its tough task: the* **monetary policy** *of the "banker's bank"—the* **Federal Reserve**.

We saw when we studied Credit that through its monetary policy the **Federal Reserve** *too attempts to promote optimal growth and stability of price-levels. If business is on a downtrend and unemployment is rising, the Federal Reserve Board will try to expand the supply of money and credit. But if spending begins to get excessive, with rising prices and many job vacancies, then the Fed will try to contract the supply of money and credit. That's why the Federal Reserve is shown as a traffic light, or regulator, in the* **Overview** *illustration.*

You as an individual—even in your several different roles—have negligible impact on the massive movements of the national economy. But many individuals acting similarly can have impact. What do you think might be the larger economic effects of the following:

"Many individuals acting similarly can have impact."

Excessive use of credit cards? (an increase

in the money supply, contributing to demand-pull inflation)

Widespread wage increases? (cost-push inflation)

Movement of many manufacturing operations to overseas locations? (increased unemployment in this country)

Applying Their Skills

■ Continue the review of economic roles by describing (or asking the students to describe) some possible future economic events. Ask how they might respond to each of these events in their various roles.

■ If they do not come up with them spontaneously, list the steps in decision making (get the facts; set goals; list alternatives; evaluate alternatives & make trade-offs; choose course of action). Ask them how they might apply these steps to a future problem that they might anticipate having.

Reactions to the Program

■ Ask them questions such as the following to determine how well their experiences matched their original expectations?

Do you remember what you expected the course to be like when you first came to this classroom at the beginning of the semester? How would you describe your expectations then?

Which of your expectations were met? How? Which were not met? Are you disappointed? Pleased?

What happened in the program that you did not expect? How do you feel about it now?

What was a high point in the course for you?

What advice would you give to students new to the course next semester?

What would you like me to tell you about what I've learned from observing you?

Preparing Their Time Capsules

■ Emphasize that the prograr has not been a study of economic history or a scaled-down college course in economics, but rather a series of activities designed

"The real worth of their studies will lie in their applications of their learning in their future lives."

to give them very practical skills related to basic economic principles. The real worth of their studies will lie in their

application of their learnings in their future lives.

■ Tell them that to guarantee that their learnings from the course will be available to them in their future lives, they're going to create a **Living Tomorrow Today Time Capsule**. It will be a safe container into which they will place their advice to themselves for five years down the road. They can hide the time capsule or give it to someone close to them to keep for them. (Or the whole class may figure out a way to secrete their capsules in one place and agree to have a reunion for the openings.)

"They can hide the time capsule or give it to someone close to them."

Allow at least one class period for the writing of the time capsule contents. Suggest that they include in it predictions of what will be their occupations, their incomes, their possessions, their personal goals, their social satisfactions, and their economic attainments. But the main topic of each paper should be the student's advice to him/erself about how to manage his/er future financial affairs.

"The main topic of each paper should be the student's advice to him/erself about how to manage his/er future financial affairs."

Respect the student's privacy in this very sensitive area, and don't require that the contents of the time capsules be handed in or shared with their peers. But if any student volunteers to read his/er paper aloud, provide an affirming soundingboard.

The Post-test

The last activity of the course can be the **Post-test**, perhaps augmented by essay

questions drawn from the list supplied in the **Tests & Quizzes** section of the course guide.

[NOTE: Before your students get away, you might want to capture one or two of the best Student Notebook examples and make xerographic copies of their contents to use as models next time you teach this course.]

Pre-/Post-Test

Answer Key

Living Tomorrow Today: Basic Economics for Consumers

Instructions: *Fill in the box that corresponds to each correct answer.*

	(a)	(b)	(c)	(d)
1. All other things being equal, if the amount of beef on the market increased, you could expect that its price would (a) also increase, (b) stay the same as it had been, (c) go down, (d) be fixed by law.	☐	☐	■	☐
2. In the United States, who has the most influence on which goods and services are produced and what their selling prices are? (a) the saver/investor, (b) the producer, (c) the consumer, (d) the citizen.	☐	☐	■	☐
3. The term *insatiable wants* refers to the phenomenon that people (a) don't always want what they get, (b) aren't likely to share their possessions, (c) can't afford to buy what they need, (d) have an unlimited capacity to desire more and more.	☐	☐	☐	■
4. Your appraisal of the value to you of a good or service is represented by (a) the amount of your life-time that you are willing to exchange for it, (b) your total earnings over a lifetime, (c) the amount of money that you are able to save and invest, (d) your voting for reduction of taxes.	■	☐	☐	☐
5. Which of the following is *least* likely to affect wage rates in this country? (a) skill levels, (b) the number of people seeking work relative to the number of jobs available, (c) seniority (time on the job), (d) computerization of payroll accounting.	☐	☐	☐	■
6. What is the legal definition of *community property*? (a) property jointly owned by spouses, (b) property that is owned by a number of people in an incorporated community, (c) real estate owned by a consortium, (d) land on which public buildings may be erected.	■	☐	☐	☐
7. F.I.C.A. deductions made from your gross pay (a) help support police and fire-fighting services in your community, (b) are used by your employer to purchase medical insurance for you, (c) provide for retirement payments, among other benefits, (d) may be completely refunded at the end of a year.	☐	☐	■	☐
8. Monopoly is (a) being true to and supporting one's marriage partner, (b) electronic instrumentation used to calculate energy consumption over a given period of time, (c) a war game popular at the Pentagon, (d) single control over the supply of a product.	☐	☐	☐	■
9. Good credit risks are people who (a) have a reputation for paying back borrowed money, (b) are known to be risky to loan money to, (c) like to take risks, but usually win, (d) rely on more than one type of credit card.	■	☐	☐	☐
10. A line of credit (a) gives you more money than you can ever make, (b) is an orderly way of paying bills, (c) gives you the option of using up to a certain amount of your future earnings now, (d) is a chain of stores willing to sell to you on credit.	☐	☐	■	☐

11. When there is a need to curb inflation, the monetary policy of the Federal Reserve System may provide for (a) increasing the supply of money, (b) raising interest rates and restricting the availability of credit, (c) making more housing loans available to low-income families, (d) auctioning off real estate from our reserve of federal lands.

11. ☐ ■ ☐ ☐

12. What happens during an inflationary period? (a) Increased demand brings prices down. (b) Money loses some of its purchasing power. (c) A decrease in the money supply causes goods to cost more. (d) An increase in the money supply causes goods to cost less.

12. ☐ ■ ☐ ☐

13. The Federal Reserve System (a) dictates how your tax dollars are spent, (b) keeps track of small businesses, (c) influences the amount of money in circulation, (d) loans money to veterans.

13. ☐ ☐ ■ ☐

14. Most sellers of household furnishings allow customers to make purchases (a) only on credit, (b) only out of savings, (c) only out of monthly cash allowances, (d) either by cash or on credit.

14. ☐ ☐ ☐ ■

15. Which of the following is most likely to contribute to cost-push inflation? (a) a large hike in the price of petroleum on the world market, (b) television advertising, (c) an agricultural surplus, (d) cost-of-living increases in social security payments.

15. ■ ☐ ☐ ☐

16. The replacement value of property is (a) how much it cost when you bought it, (b) the national average cost of an acre of land, (c) what it would cost to replace it at a given point in time, taking inflation or deflation into account, (d) the cost of moving furnishings across the country, assuming no employer reimbursement.

16. ☐ ☐ ■ ☐

17. If you own stock in a corporation that fails, you (a) lose everything that you have invested in it, (b) are reimbursed by the government, (c) can sell your shares through a broker and make a small profit, (d) are reimbursed by the corporation.

17. ■ ☐ ☐ ☐

18. A bank is able to pay you interest on your savings because it (a) keeps your savings in safety deposit boxes, (b) makes loans and gains on other investments at a higher rate of interest, (c) receives special grants from the U.S. Treasury, (d) charges commissions on the common stocks that it trades.

18. ☐ ■ ☐ ☐

19. Which of the following states the Law of Demand? (a) There is a tendency for the quantity of a good or service purchased to increase as the price falls. (b) There is a tendency for consumers to demand new products as soon as their needs for older products are satisfied. (c) If there is a demand for a particular product, a country will seek to import that product. (d) Businesses must furnish what consumers demand.

19. ■ ☐ ☐ ☐

20. Which two kinds of financial statements are commonly used to show the overall financial condition of an economic entity? (a) a bank statement and a check register, (b) a paystub and an F.I.C.A. record, (c) an income statement and a balance sheet, (d) a letter of credit and a certificate of deposit.

20. ☐ ☐ ■ ☐

Suggested Essay Questions

You may wish to make selections from the essay questions given below in composing quizzes or mid-term and final examinations.

How Spend . . . Life-time?

Our wants are satisfied in a variety of ways, including consumption of goods and services produced from society's base of productive resources. Pick an item, and discuss how its production incorporates the three major productive resources discussed in this course.

A society's economy is determined by the choices it makes in response to five key questions: (1) What will be produced? (2) How will it be produced? (3) Who will get how much? (4) Who decides? Explain what each kind of decision entails, and describe how our American economy is organized in terms of responses to these questions.

A Career Commitment

The value of any good or service is determined when a consumer makes an exchange of life-time for it. Define the term **life-time**. Give two examples of things that you do and two examples of things that you buy, and tell which of them are worth more of your life-time than the others—and why.

Describe how you plan to contribute as a producer in our society. How did you come to your decision? (Outline your interest areas, talents and skills, and past experiences.) What are your goals and expectations? (Include your projections regarding probable geographic location, education, income, fringe benefits, and other career satisfactions.)

Do You Take This Domestic Associate?

Domestic law varies from state to state. What do you know about the laws governing community and separate property in your state? What do you consider significant about these laws? What improvements would you suggest?

'Til Taxes Do You Part

Name and describe two government-sponsored employee insurance programs to which you contribute through deductions from your pay (in our simulation). Are these fixed or flexible expenditures for you? Explain. What indirect control do you have over these government programs?

Currently, what are the two largest categories of the national budget? Assuming that the national budget will be approximately the same during your first year of full-time career employment, how do you feel about the contributions of life-time you will be making to each of these categories of governmental expenditure? What implications do your feelings have regarding your role as citizen in our society?

You Have to Have a Habitat

Explain how high interest rates affect the construction of homes and people's ability to buy them.

Describe the following alternatives to the usual fixed-interest, 30-year loans for home buying: graduated payment mortgages, variable or renegotiable-rate mortgages, owner financing, and shared appreciation mortgages.

What are the similarities and differences between a lease and a rental agreement? Include in your discussion the terms **tenant**, **landlord**, **proper notice**, **month-to-month tenancy**, **sublease**, **written contract**, and **security deposit**.

Let There Be Light

What is the meaning of the term **monopoly**, and how does it relate to public utilities? What is the function of public regulatory commissions?

List and describe two conservation measures involving each of the following: home heating and cooling systems, water heaters, refrigerators, lighting.

Credit: Handle With Care

Explain what is involved in establishing and maintaining credit. In your discussion, make clear your understanding of the terms **credit line**, **cash advance**, **down payment**, **security**, **repayment period**, **finance charge**, and **annual percentage rate**.

Give an example of credit abuse with its probable consequences.

Name a business that "sells" or "rents" money in order to make money. Explain how it goes about making a profit. In your explanation use the terms **Federal Reserve**, **discount rate**, **interest rates**, **demand deposits**, **cash reserves**, **checking and savings accounts**, and **loans**.

During times of full employment and stable prices, credit is more available and interest rates are lower. This condition is very desirable, but it can eventually result in a form of inflation called "demand-pull inflation." Why does this kind of inflation occur?

Why might raising the interest rates for loans and restricting the availability of credit help check inflation? In your explanation, discuss the money supply in relation to the amount of money spent and the effect of demand on prices.

List five effects of inflation, categorizing each effect as positive or negative for the economy.

Things to Sit On/Cook On/Flip On

Define **paraphrasing** and the various assertive-communication skills you have learned (**self-disclosure**, **broken record**, **owning up**, **workable compromise**), and illustrate their usefulness in decision-making discussions.

Describe the steps you intend to follow when you purchase furnishings for your first home of your own.

Increases in production costs (the costs of resources, labor, using tools in production, tools wearing out, payments or conditions ordered by government, and marketing) contribute to cost-pusn inflation. Give two examples of product prices that have recently increased due to increased production costs, specifying which production cost(s) were involved in each example.

Compare and contrast the costs of taking the same long-distance trip by car, bus, and airplane. (For extra credit, consider "life-time" costs as well.)

Protect Your Property

Write a brief calamity chronicle describing an imagined event that damages household property. Then, using the calamity you have described as an example, specify what type of insurance would have covered most of the damages. How would you go about obtaining such insurance? What kinds of payments would you need to make to maintain the insurance? In your discussion, include the terms **personal property**, **replacement value**, and **deductibles**.

Insure Your Health & Helpmate

Make a case for providing for health insurance based on the likelihood of needing medical care and typical medical costs in our area of the country.

Describe two health-insurance plans available in our area of the country. State which plan you prefer and list the reasons why. Include in your justification coverage options, illnesses excluded from coverage, limits on claim amounts, deductibles, and whether the plan of your choice is a family or individual plan.

Describe the conditions that might make you consider purchasing life insurance and outline the alternative plans that you would investigate.

Savor Your Savings

Give two good reasons for establishing a habit of regular saving.

List three different ways of securing or investing your savings and characterize each in terms of its liquidity, degree of risk, and likely return.

Eats, Drinks, & Merrymaking

Supply means the schedule of amounts of a good or service that the seller will offer for sale at a

corresponding schedule of prices. Will the quantity of a good or service available for purchase tend to increase or decrease as the price rises? Why? Illustrate with a food product.

What advice would you give to newlyweds regarding shopping for food and drinks?

Can You Wear Jeans to Work?

Discuss the possible pitfalls of buying clothes that are fashionable, inexexpensive, or on sale.

The Dashing Dresses Manufacturing Company makes a grand total of $2.50 profit on an outfit that sells for $100 in a retail store. How do you account for the remaining $97.50?

Explain the concept of **cost per wearing**, and give a comparative example that demonstrates it.

Misc. Expenses

The budget category of Miscellaneous Expenses can include both household and personal expenses. List five subcategories that may fall under Misc. Expenses, and give three examples of each. Why are expenses in this category considered "flexible"? Why is it important to keep track of them?

Batten Down Your Budget

As a wage earner and citizen of the United States, you pay a certain amount of taxes to the government each year. Under normal circumstances, how are these taxes collected? What is the function of Federal Income Tax Form 1040?

Balance Your Balance Sheet

What is meant by your "net worth"? Why might it figure importantly in your being able to borrow money?

A Dependent Drops In To Stay

Assuming that you are married and that you and your spouse are both employed full time outside the home, how might your lifestyles be affected by the addition of a baby to your family? Include in your discussion probable effects on your incomes, your careers, and your recreational habits, as well as the adjustments you might have to make in your household budget.

And Fate Has Some Surprises

Tell about a situation that has come up in your life (either real or imagined) which you would characterize as fateful. Briefly outline your financial situation at the time, the decision-making process you went through in determining how to handle your fate, and how your fate affected your budget. How might you have been financially better prepared?

Wrap Up Your Lifestyle

You as an individual have negligible impact on the massive movements of the national economy. But many individuals acting similarly can have significant impact. What might be the larger economic effects, for example of the excessive use of credit cards?

Describe how you personally plan to contribute (or not contribute) to the American economy through fulfilling the roles of producer, consumer, saver/investor, and citizen.

What have you learned in this course concerning your own value system, the lifestyle you would like to lead, and the trade-offs you think you will need to make in order to reach your life goals? How, if at all, are your ideas now different from those you had at the beginning of the course? Why?

Reproducibles

The reproducible masters are listed below in the order in which they appear in the course guide. For the sake of economy they have been printed on the fronts and backs of pages. In most cases, each is to be copied onto *one* side of a sheet of paper. The exceptions, which should be copied onto both sides of a sheet if at all possible, are indicated by asterisks.

- ☐ **Letter to Parents** [sign and date master, and reproduce on school stationery]
- ☐ **Living Tomorrow Today Course Overview (& Game Plan)**
- ☐ **Living Tomorrow Today Notebook Table of Contents***
- ☐ **Record of Money Transactions**
- ☐ **Pre-/Post-Test***
- ☐ **Lifestyle Popularity Poll**
- ☐ **Lifestyle Supermarket Bill of Fare***
- ☐ **Compatibility Questionnaire**
- ☐ **Introduction Information***
- ☐ **Personal Assets & Liabilities**
- ☐ **Ladder of Goals**
- ☐ **Framework of an Economic System**
- ☐ **Capitalism & Communism Compared**
- ☐ **The Circular Flow of Economic Activity**
- ☐ **Yearly Money Planner**
- ☐ **Summary of Life-time Costs**
- ☐ **Monthly Budget***
- ☐ **Guest Speaker: Real Estate**
- ☐ **Year-end Balance Sheet**
- ☐ **Yearly Energy Costs**
- ☐ **Checkbook Checkup No. 1**
- ☐ **Checkbook Checkup No. 2**
- ☐ **Checkbook Checkup No. 3**
- ☐ **Checkbook Checkup No. 4***
- ☐ **Guest Speaker: Banker**
- ☐ **Guest Speaker: Decorator**
- ☐ **Ways to Go/Costs per Trip**
- ☐ **Totaling Transportation**
- ☐ **Guest Speaker: Insurance**
- ☐ **Pick-a-Plan**
- ☐ **Dependent Description**
- ☐ **Due Unto Your Dependent**
- ☐ **Fate Cards - 1***
- ☐ **Fate Cards - 2***
- ☐ **Overview of the American Economy**

*Two pages: reproduce back to back.

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Dear Parent(s)/Guardian(s):

Your son or daughter is enrolled in an innovative program that I thought you'd like to know more about.

It's called "Living Tomorrow Today," and its purpose is to prepare high school seniors for the economic realities of living on their own.

For the next few months, your son or daughter will be given a rare opportunity to role play him or herself at a future time. S/he will choose a career occupation and pair up with a simulated marriage partner or a roommate. But that's just the start.

Each student will face the challenging work of setting up a balanced household budget. S/he will compute the real-life costs of taxes, housing, utilities, payments on credit purchases, furnishings, transportation, insurance, charity, food, clothing, and miscellaneous expenses.

In addition to learning such practical skills as how to complete a 1040 form and how to balance a checkbook, s/he'll be acquiring a broader understanding of the workings of the U.S. economy.

You may be interested to know that the "Living Tomorrow Today" program has been taught successfully for nearly 10 years at Marina High School in Huntington Beach, California. And that it was recently judged the best course in senior high consumer economics in the country by the prestigious Joint Council on Economic Education.

Because your son or daughter will be learning what it takes to run a household—something you've been doing for years—don't be surprised if he or she comes to you for financial advice. I welcome your assistance in this most relevant of subject matters.

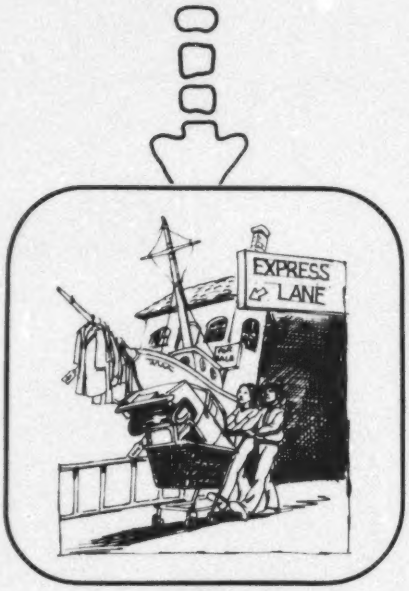
Also, if you are pleased with the inclusion of this program in your child's curriculum, you may wish to join me in thanking the local sponsor bank that provided the complete course materials to us as a free public service. To avoid commercialism, the bank's name is not included here, but is available upon request.

Sincerely,

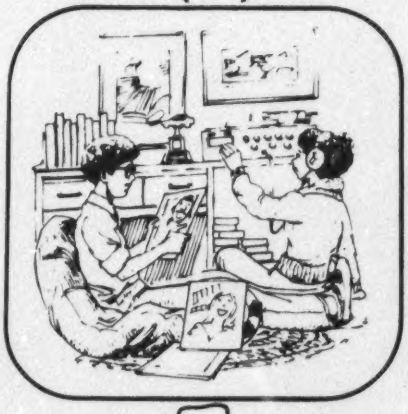
Date:

Living Tomorrow Today

Course Overview
(& Game Plan)



Basic Economics for Consumers



R·2

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Living Tomorrow Today

Notebook Table of Contents

Budget Forms
- Yearly Money Planner
- Personal Assets & Liabilities
- Monthly Budget
- Summary of Life-time Costs
- Year-end Balance Sheet

Getting Started
- Lifestyle Bill of Fare
- Notes

How Do You Want to Spend Your "Life-time"?
- Ladder of Goals
- Framework of an Economic System
- Capitalism & Communism Compared
- Notes

A Career Commitment
- Interest Inventory
- The Circular Flow of Economic Activity
- Notes

Do You Take This Domestic Associate?
- Compatibility Questionnaire
- Introduction Sheets
- Notes

'Til Taxes Do You Part
- Form W-4
- Notes

You Have to Have a Habitat
- Floor Plan(s)
- Notes

Let There Be Light (& Heat & A/C)
- Yearly Energy Costs
- Notes

Credit: Handle With Care
- Checkbook Checkup
- Credit Strategy & Notes

Things to Sit On/Cook On/Flip On
- Decorating Scheme
- Acquisition Strategy
- Notes

Transport Yourself
- Ways To Go/Costs Per Trip
- Totaling Transporation
- Notes

Protect Your Property
- Calamity Chronicles
- Household Property Inventory
- Insurance Quotations
- Notes

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Insure Health & Helpmate
Calamity Chronicle
Pick-a-Plan
Calamity Costs
Notes

Savor Your Savings
Savings Strategy
A Plan for Giving
Notes

Eats, Drinks, & Merrymaking
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A Dependent Drops In To Stay
Dependent Description
Due Unto Your Dependent
Form W-4
Form 1040
Notes

Fate . . .
Coping Strategy
Notes

Wrap Up Your Lifestyle
Overview of the American Economy
Notes

Pre & Post Tests

Record of Money Transactions

Instructions: *For the duration of this course, keep an accurate accounting of* ***all*** *of your money transactions on this form. On a daily basis, record both your income (money on hand plus any other that you acquire to which you have title) and your expenditures (money that you spend). This form is confidential: you need not show it to anyone else unless you want to.*

Income			Expenditures		
Date	Item	Amount	Date	Item	Amount
		$			$

Total Income (this page) $ **Total Expenditures** (this page) $

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Lifestyle Popularity Poll

Instructions: *Look over the items listed here, and then, thinking about your classmates and other schoolmates, guess which* ***five*** *items would be most popular with* ***them****. Your ranking shouldn't reflect your own favorites, but rather what you think others would select. Put a* ***5*** *next to the one you think would be most popular, a* ***4*** *next to the next-most-popular, and so on.*

- ☐ SUPER-SPORTSCAR
- ☐ SOLAR-POWERED CABIN/FARM
- ☐ JET-SET VACATIONS
- ☐ PHYSICAL FITNESS
- ☐ ADVENTURE CAREER
- ☐ SHOWCASE DECOR
- ☐ COMMUNITY SERVICE AWARD
- ☐ CULINARY SKILLS
- ☐ A NEST EGG
- ☐ FAMILY CAMPER
- ☐ JOB SECURITY
- ☐ SUBURBAN HOME-OWNER'S HAVEN
- ☐ CARING PARENTHOOD
- ☐ THE-LAST-HIGHRISE-APARTMENT-WITH-A SCENIC VIEW
- ☐ VENTURE CAPITAL FOR AN ENTREPRENEUR
- ☐ LIBERATION, LEISURE, & LAUGHTER
- ☐ CUSTOM-TAILORED WARDROBE
- ☐ THRIFTY TRANSPORATION

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Pre-/Post-Test

Living Tomorrow Today: Basic Economics for Consumers

Instructions: *Fill in the box that corresponds to each correct answer.*

	(a)	(b)	(c)	(d)
1. All other things being equal, if the amount of beef on the market increased, you could expect that its price would (a) also increase, (b) stay the same as it had been, (c) go down, (d) be fixed by law.	1. ☐	☐	☐	☐
2. In the United States, who has the most influence on which goods and services are produced and what their selling prices are? (a) the saver/investor, (b) the producer, (c) the consumer, (d) the citizen.	2. ☐	☐	☐	☐
3. The term *insatiable wants* refers to the phenomenon that people (a) don't always want what they get, (b) aren't likely to share their possessions, (c) can't afford to buy what they need, (d) have an unlimited capacity to desire more and more.	3. ☐	☐	☐	☐
4. Your appraisal of the value to you of a good or service is represented by (a) the amount of your life-time that you are willing to exchange for it, (b) your total earnings over a lifetime, (c) the amount of money that you are able to save and invest, (d) your voting for reduction of taxes.	4. ☐	☐	☐	☐
5. Which of the following is *least* likely to affect wage rates in this country? (a) skill levels, (b) the number of people seeking work relative to the number of jobs available, (c) seniority (time on the job), (d) computerization of payroll accounting.	5. ☐	☐	☐	☐
6. What is the legal definition of *community property*? (a) property jointly owned by spouses, (b) property that is owned by a number of people in an incorporated community, (c) real estate owned by a consortium, (d) land on which public buildings may be erected.	6. ☐	☐	☐	☐
7. F.I.C.A. deductions made from your gross pay (a) help support police and fire-fighting services in your community, (b) are used by your employer to purchase medical insurance for you, (c) provide for retirement payments, among other benefits, (d) may be completely refunded at the end of a year.	7. ☐	☐	☐	☐
8. Monopoly is (a) being true to and supporting one's marriage partner, (b) electronic instrumentation used to calculate energy consumption over a given period of time, (c) a war game popular at the Pentagon, (d) single control over the supply of a product.	8. ☐	☐	☐	☐
9. Good credit risks are people who (a) have a reputation for paying back borrowed money, (b) are known to be risky to loan money to, (c) like to take risks, but usually win, (d) rely on more than one type of credit card.	9. ☐	☐	☐	☐
10. A line of credit (a) gives you more money than you can ever make, (b) is an orderly way of paying bills, (c) gives you the option of using up to a certain amount of your future earnings now, (d) is a chain of stores willing to sell to you on credit.	10. ☐	☐	☐	☐

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11. When there is a need to curb inflation, the monetary policy of the Federal Reserve System may provide for (a) increasing the supply of money, (b) raising interest rates and restricting the availability of credit, (c) making more housing loans available to low-income families, (d) auctioning off real estate from our reserve of federal lands.

(a) (b) (c) (d)
11. ☐ ☐ ☐ ☐

12. What happens during an inflationary period? (a) Increased demand brings prices down. (b) Money loses some of its purchasing power. (c) A decrease in the money supply causes goods to cost more. (d) An increase in the money supply causes goods to cost less.

12. ☐ ☐ ☐ ☐

13. The Federal Reserve System (a) dictates how your tax dollars are spent, (b) keeps track of small businesses, (c) influences the amount of money in circulation, (d) loans money to veterans.

13. ☐ ☐ ☐ ☐

14. Most sellers of household furnishings allow customers to make purchases (a) only on credit, (b) only out of savings, (c) only out of monthly cash allowances, (d) either by cash or on credit.

14. ☐ ☐ ☐ ☐

15. Which of the following is most likely to contribute to cost-push inflation? (a) a large hike in the price of petroleum on the world market, (b) television advertising, (c) an agricultural surplus, (d) cost-of-living increases in social security payments.

15. ☐ ☐ ☐ ☐

16. The replacement value of property is (a) how much it cost when you bought it, (b) the national average cost of an acre of land, (c) what it would cost to replace it at a given point in time, taking inflation or deflation into account, (d) the cost of moving furnishings across the country, assuming no employer reimbursement.

16. ☐ ☐ ☐ ☐

17. If you own stock in a corporation that fails, you (a) lose everything that you have invested in it, (b) are reimbursed by the government, (c) can sell your shares through a broker and make a small profit, (d) are reimbursed by the corporation.

17. ☐ ☐ ☐ ☐

18. A bank is able to pay you interest on your savings because it (a) keeps your savings in safety deposit boxes, (b) makes loans and gains on other investments at a higher rate of interest, (c) receives special grants from the U.S. Treasury, (d) charges commissions on the common stocks that it trades.

18. ☐ ☐ ☐ ☐

19. Which of the following states the Law of Demand? (a) There is a tendency for the quantity of a good or service purchased to increase as the price falls. (b) There is a tendency for consumers to demand new products as soon as their needs for older products are satisfied. (c) If there is a demand for a particular product, a country will seek to import that product. (d) Businesses must furnish what consumers demand.

19. ☐ ☐ ☐ ☐

20. Which two kinds of financial statements are commonly used to show the overall financial condition of an economic entity? (a) a bank statement and a check register, (b) a paystub and an F.I.C.A. record, (c) an income statement and a balance sheet, (d) a letter of credit and a certificate of deposit.

20. ☐ ☐ ☐ ☐

Lifestyle Supermarket

Bill of Fare

Instructions: *You now have the opportunity to visit a rare supermarket, where you can purchase lifestyle items. Read over the list of lifestyle options available, and select any that you wish to buy. Budget a share of your 2000 spending units, marking in the first column the amounts you intend to spend. When you purchase an item, mark its cost in the second column. You will have three opportunities to purchase items. You can spend any portion of your 2000 units during any round, but you can only purchase* ***one*** *item (or none) per round. Availability and prices of items are subject to change without prior notice!*

	Amt. Budgeted	Amt. Spent
SUPER-SPORTSCAR: A sleek, aerodynamically designed, supercharged road machine. Competition tested. Proven performance.		
SOLAR-POWERED CABIN/FARM: A completely energy-self-sufficient cabin perched on lushly productive farmland, surrounded by natural beauty.		
JET-SET VACATIONS: A once-a-year opportunity to traverse the globe, visiting all the luxurious and exotic locations that most people see only in the movies. Be where the action is!		
PHYSICAL FITNESS: Build a body at the peak of physical health, strength, and stamina. Excell in sports and look fabulous.		
ADVENTURE CAREER: Carve out a career that goes beyond the stale humdrum of daily routine. Challenge the power structure. Probe into secret doings. Take chances and receive acclaim!		
SHOWCASE DECOR: Furnish your home so creatively and tastefully that it will be featured in national magazines as a decorating pace-setter.		
COMMUNITY SERVICE AWARD: Receive a Community Service Award in recognition of your untiring and unselfish dedication to relieving misery and uplifting human spirits.		
CULINARY SKILLS: Master the culinary secrets and arts of many cultures. Be renowned for your successful parties, with your original receipes in great demand.		
Totals This Page		

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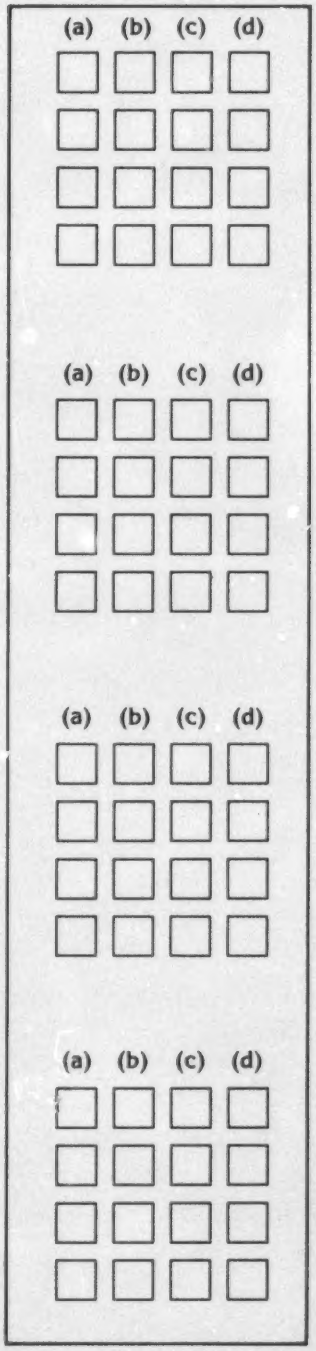
	Amt. Budgeted	Amt. Spent
A NEST EGG: Have a substantial sum safely invested and ready for you to draw on whenever an emergency or a special opportunity arises.		
FAMILY CAMPER: Nourish your family's curiosity and wonderment. Travel in complete comfort in a custom-outfitted camper. Explore natural wonders and centers of culture, making your vacation home wherever you are.		
JOB SECURITY: Having found a job that you love, be guaranteed a lifetime of occupational security—safe from technological obsolescence, layoffs, or pink slips.		
SUBURBAN HOMEOWNER'S HAVEN: Have a dream house in an exclusive suburb, surrounded by beautifully landscaped grounds.		
CARING PARENTHOOD: Have the time and resources necessary so that you can devote yourself to raising your children in a sensitive and caring fashion. Forge a lifetime bond of affection.		
THE-LAST-HIGHRISE-APARTMENT-WITH-SCENIC VIEW: Capture the last available penthouse apartment soaring over the skyline. Command a breathtaking view of all the architectural and natural features of the cityscape.		
VENTURE CAPITAL FOR AN ENTREPRENEUR: Get ample financial backing to produce and market your innovative ideas. Form a company of your own design and run it **your** way.		
LIBERATION, LEISURE, & LAUGHTER: Feel free, relax, and enjoy yourself. Have fun, fun, fun!		
CUSTOM-TAILORED WARDROBE: Wear elegant and comfortable clothing custom-tailored to express your unique style.		
THRIFTY TRANSPORATION: While others are chained to the gas pump, you are liberated by your very own thermal-magnetic peoplemover that whisks you and your friends wherever you want to go at a cost of pennies per mile.		
Grand Totals		

Compatibility Questionnaire

Instructions: *Fill in the square corresponding to each answer that you* ***most*** *agree with (even if it does not represent your view exactly).*



I plan to get married if (a) my parents approve, (b) I have to, (c) I find someone compatible, (d) I find someone I can have fun with.

I enjoy learning about (a) people, (b) the future, (c) the classics, (d) physical fitness.

My favorite type of movie is (a) one that teaches a moral, (b) comedy, (c) drama, (d) adventure.

Homework takes (a) a reasonable amount of my time, (b) very little of my time, (c) several hours each night, (d) too much of my time.

Religious activities take (a) little or none of my time, (b) some of my time, (c) much of my time, (d) a reasonable amount of my time.

For fun I like (a) sports activities, (b) hanging loose, (c) reading a good book, (d) going to a party.

A school subject I like is (a) physical education, (b) lunch, (c) most of them, (d) history.

My children should be (a) independent, (b) healthy, (c) normal, (c) well behaved.

School grades are (a) not too important, (b) necessary, (c) excellent indicators, (d) important.

Family members should (a) be independent, (b) be active together, (c) stay together no matter what, (d) be loving and caring.

When things start going badly, I (a) work harder, (b) buck the system, (c) analyze the situation, (d) pray for guidance.

A game I enjoy playing is (a) softball, (b) pinball, (c) bingo, (d) Monopoly.

My favorite type of TV show is a (a) special, (b) slapstick comedy, (c) variety show, (d) sports event.

Teachers can be (a) role models, (b) leaders, (c) valuable resources, (d) repressive.

The number of children I want to have is (a) as many as I am blessed to have, (b) none, (c) a boy and a girl, (d) two or three.

When I have extra cash, I (a) give it to a worthy cause, (b) have a party, (c) save it, (d) blow it on a good time.

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Personal Assets & Liabilities

Name _____ **Age** _____

(simulated)

Occupation _____

(simulated)

List all assets you will have at this time.

Cash/savings	$
Gov't securities	
Stocks & bonds	
Real estate (market value)	
Vehicle(s) (less depreciation)	
Life insurance (cash value)	
Furnishings (less depreciation)	
Other property	
Total Assets	$

List all **liabilities** you will have at this time.

Real estate mortgage	$
Education loan(s)	
Life insurance loan	
Vehicle loan	
Other (e.g., amounts due on other loans, credit cards, charge accounts, medical bills)	
Total Liabilities	$

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Introduction Information

Instructions: *Answer these questions honestly in terms of what kind of lifestyle you would like to have at your simulated age (when you expect to be in your first year of full-time career employment). Later on you will share this information with your simulated mate.*

Name _____ **Age** _____

Occupation _____ **Gross Income** _____

Education _____

In what geographic location do you prefer to live? _____

How many children do you desire? _____

Do you plan to continue your schooling? _____ **In what way?**

_____

If a dispute arises within a family, who should make the final decision? _____
Why? _____

Do you attend religious activities? _____ **What kind?** _____
What religious activities would you expect your family to participate in? _____

_____

If you have a child, how would you like to provide for the child's care? _____

_____

What effect (if any) would these arrangements have on your career? _____

_____

How would you deal with your child if s/he misbehaved? _____

_____

What are your two favorite colors? _____

List your five favorite foods (in order of preference). _____

_____

What do you do before going to work in the morning? _____

_____

If you marry, what kind of bank account(s) do you expect to have (joint, individual, or a combination) and why? _____

_____

What are your three favorite forms of recreation? _____

_____

_____

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How do you like to spend your evenings?_____

How do you like to spend your weekends?_____

How do you think that household chores should be shared among people living in the same household?_____

What kind of transportation do you prefer using?_____

Do you prefer to live in the country or the city? If city, what type of neighborhood? Why?

How close to your parents do you like to live?_____

Where and how do you like to spend your vacations?_____

List favorite music/musicians._____

If you marry, do you expect to spend any time alone, away from the family? Explain.

Ladder of Goals

In the box below, mark whether this sheet contains goals concerned with ***ECONOMIC ACCOMPLISHMENTS*** *or* ***PHYSICAL POSSESSIONS*** *or* ***PERSONAL/SOCIAL SATISFACTIONS.*** *Write a major goal on the top line of the form. List your milestone goals (your strategy for achieving your major goal) in ascending order from the bottom of the form. NOTE: In order to determine "Dollar HRS." divide the cost of attaining each goal by your "Dollar-to-Hour Life-time Equivalent" from the Yearly Money Planner.*

	Activity HRS.	+	Dollar HRS.	=	Life-time Cost
Example: *Take college course in money management*	*162*	+	*30*	=	*192*
TOTALS					

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NOTE: All Dollar HRS. included in the second column come out of your 2000 hours of time spent working per year and must be accounted for later in your Monthly Budget and your Summary of Life-time Costs.

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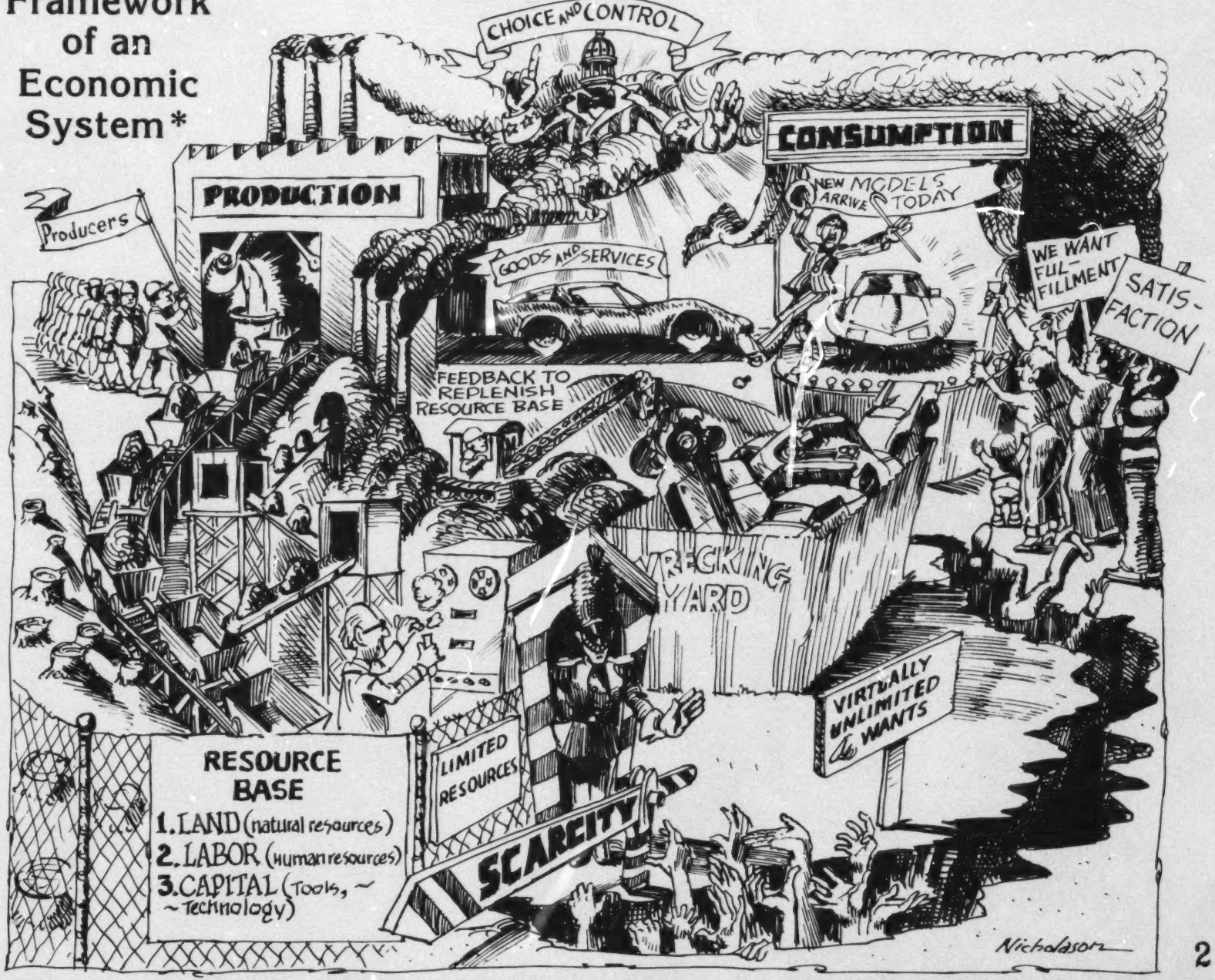
Framework of an Economic System*



*Based on a model developed by Norman Townshend-Zellner

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Capitalism & Communism Compared

	COMMUNISM*	CAPITALISM*
What produced?	*Goods & services that contribute to security of the state. More emphasis on military & capital goods than on consumer goods*	Goods & services that consumers want (consumer sovereignty)
How produced?	*By state-owned enterprises (not in competition)*	Through private enterprise; competition among producers
Who gets how much?	*Determined by planned distribution schedules & consumer purchasing power*	Determined by consumer purchasing power
Who decides?	*Government planners*	Managers of private enterprises responding to consumer demands
Who owns property?	*The state*	Private individuals & organizations; the state
Basic motivation	*Contribution to the welfare of the society as a whole rather than to individual prosperity*	Self-interest (profit) operating through a price mechanism (monetary incentive)

*NOTE: Both systems are represented here in their "pure" forms in order to make comparing them easier. The reality is that most societies have "mixed" economies blending in varying degrees of governmental control relative to private enterprise.

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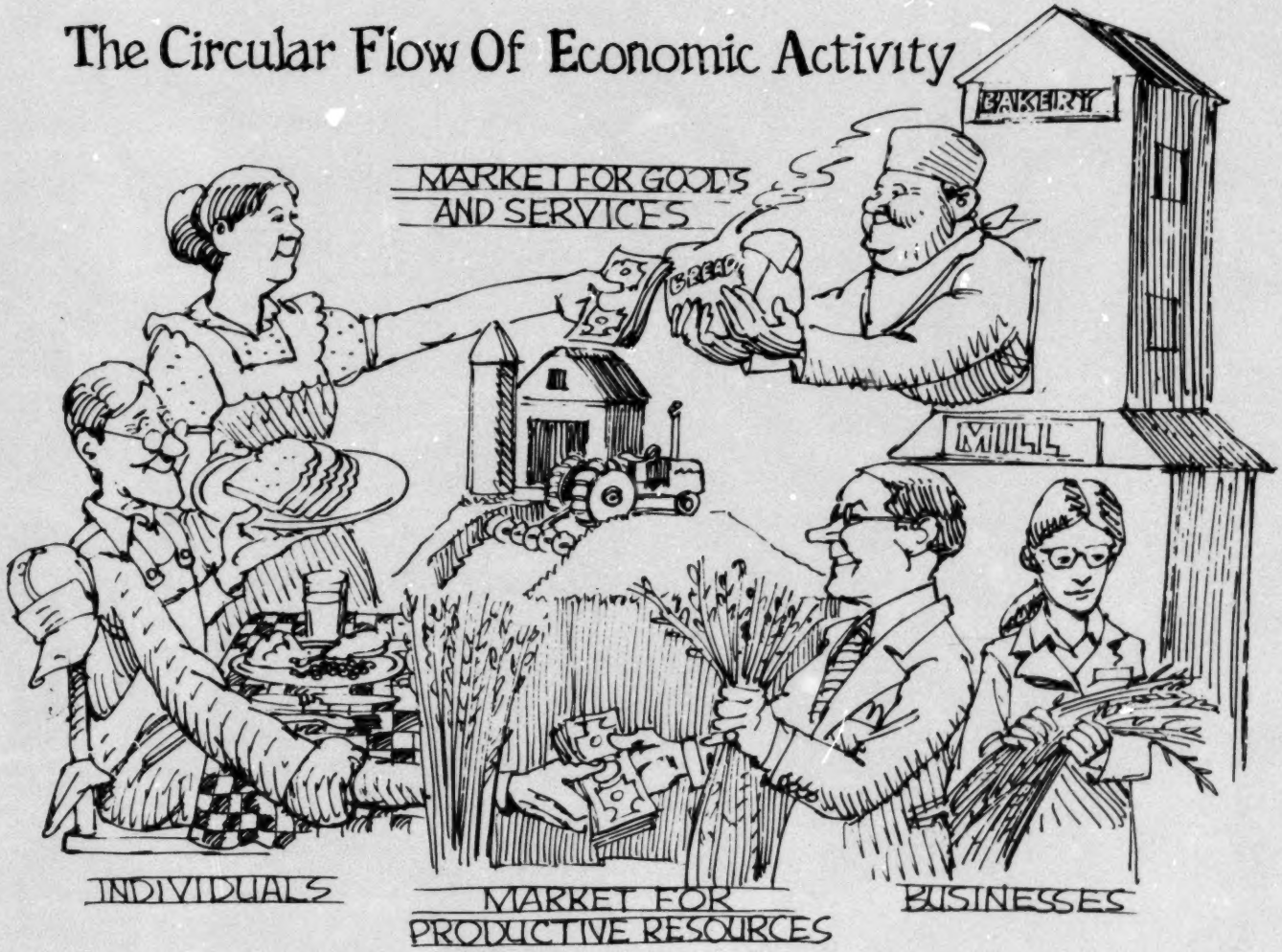
The Circular Flow Of Economic Activity



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Yearly Money Planner

Name _____ Occupation _____

Total Compensation Package

1st Year of Full-time Employment

Yearly Gross Pay	plus	Fringe Benefits	equals	Total Compensation

Total Work Commitment

hrs./day	×	days/wk.	×	wks./yr.	= total hours of work/yr.

Total Compensation	divided by	Total Hours	equals	$ per hour

Dollar-to-Hour Life-time Equivalent

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Summary of Life-time Costs

Instructions: *Complete this form as an individual, entering your share (one-half in most cases for a spouse) of each type of expense. Calculate on the basis of one year.*

Dollar-toHour Life-time Equivalent ▷ | | 8,760

Cost/Yr. ÷ $/Hr. = Life-time Equivalency in Hours

Total Life-time Available (in hrs.)

Fringe benefits		
Income taxes		
Payroll insurances		
Housing		
Utilities		
Transportion		
Auto insurance		
Property insurance		
Health insurance		
Life insurance		
Savings		
Charities		
Food & drinks		
Clothing		
Misc. expenses		
Working Time	2,000	6,760
Life Maintenance (eating, sleeping, hygiene)		
Contingency Time (slop factor)		
Total Committed Time (obligations)		
Balance of Life-time Available for Goal Seeking		

R-20

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Monthly Budget

Income

Monthly Compensation

$ _____
(gross pay)

Payroll Deductions:

Federal Income Tax $ _____

State Income Tax _____

Municipal Income Tax _____

F.I.C.A./Retirement _____

State Disability _____

Total Deductions _____

Take-home Pay * $ ☐

Deductions are ** ☐ % of pay

Monthly Compensation

$ _____
(gross pay)

Payroll Deductions:

Federal Income Tax $ _____

State Income Tax _____

Municipal Income Tax _____

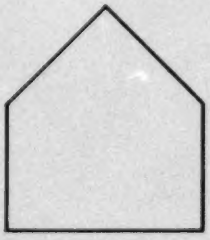
F.I.C.A./Retirement _____

State Disability _____

Total Deductions _____

Take-home Pay * $ ☐

Deductions are ** ☐ % of pay



Household Income $

*Subtract the payroll deductions from the gross pay

**Divide total deductions by gross pay

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Monthly Budget

Individual Take-home Pay

Household Income

Expenses

(payment or allowance)

Housing
(rent or mortgage,
property taxes
maintenance)

Utilities
(gas, electricty,
water, TV cable,
phone)

Furnishings

Transportation
(automobile,
gas, oil, maintenance,
tolls, parking,
public transportation, etc.)

Insurance
(automobile,
property [tenant/homeowners],
health,
life)

Savings
(short/long-term,
charities)

Food

Clothing

Misc. expenses

TOTALS

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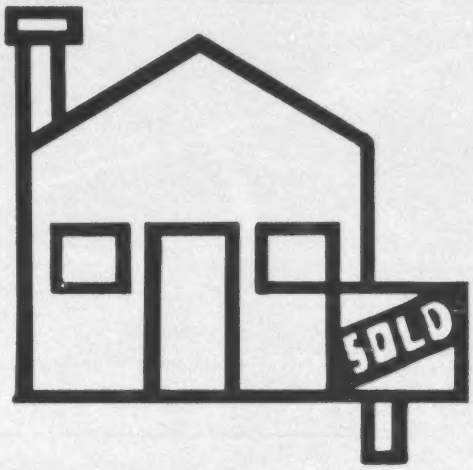
Guest Speaker



Real Estate Agent

Course Profile: *Living Tomorrow Today* is a consumer economics education program. High-school students develop consumer skills and economic understanding by taking on real-life problems, concerns, and decision-making tasks as part of the course activities. Each student will study, research, plan, and budget for a year of future living. To ensure the realism of this program, provisions for consultations with guest professionals like you are essential. We appreciate your participation in our program, and to make your visit both enjoyable and productive, we share some information to help in preparation.

To date the class members have investigated and chosen occupations, established their projected earning power, obtained a "domestic associate" (a roommate or a simulated marriage partner), and determined joint goals.

Most recently their attention has been focused on securing housing. They have made assumptions about their lifestyles and have been doing some preliminary investigations into the housing market. Faced with a multitude of alternatives, the class couples would appreciate your helping them sort things out by covering such matters as:

Speaker Appointment
Date: Time: Location: Address: Classroom: Liaison: Telephone:

Please check in at office
15 minutes early.

- ☐ **The categories of rental and purchase units**
- ☐ **Local market conditions**
- ☐ **Techniques for doing a search for housing**
- ☐ **The legal and financial procedures for renting or buying a home**
- ☐ **The tax implications of home ownership**
- ☐ **Guidelines for determining maintenance costs**

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Year-end Balance Sheet

Name(s) _____

Net Worth as of Year-end 19__

$ _____

Assets

Cash/savings	$
Gov't securities	
Stocks & bonds	
Real estate (market value)	
Vehicle(s) (less depreciation)	
Life insurance (cash value)	
Furnishings (less depreciation)	
Other property	
Total Assets	$

Liabilities & Net Worth

Real estate mortgage	$
Education loan(s)	
Life insurance loan	
Vehicle loan	
Other (e.g., amounts due on other loans, credit cards, charge accounts, medical bills)	
Total Liabilities	
Net Worth	$
Total Liabilities & Net Worth	$

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Yearly Energy Costs

CURRENT RATE SCHEDULE: _____
Name of Utility Company

Electricity	Gas or Oil
$___.___ per KWHR (kilowatt-hour)	$___.___ per Therm

Energy User	Energy Consumed (watts)	Energy Consumed (therms)	Cost ($/yr.)
Heating system	_____	_____	$ _____ /yr.
Air conditioning	_____	_____	_____ /yr.
Water heater	_____	_____	_____ /yr.
Refrigerator(s)	_____	_____	_____ /yr.
Lighting	_____	_____	_____ /yr.
Small appliances:	_____	_____	_____ /yr.
_____			
_____			
Other: _____	_____	_____	_____ /yr.
_____		Total	$ _____ /yr.

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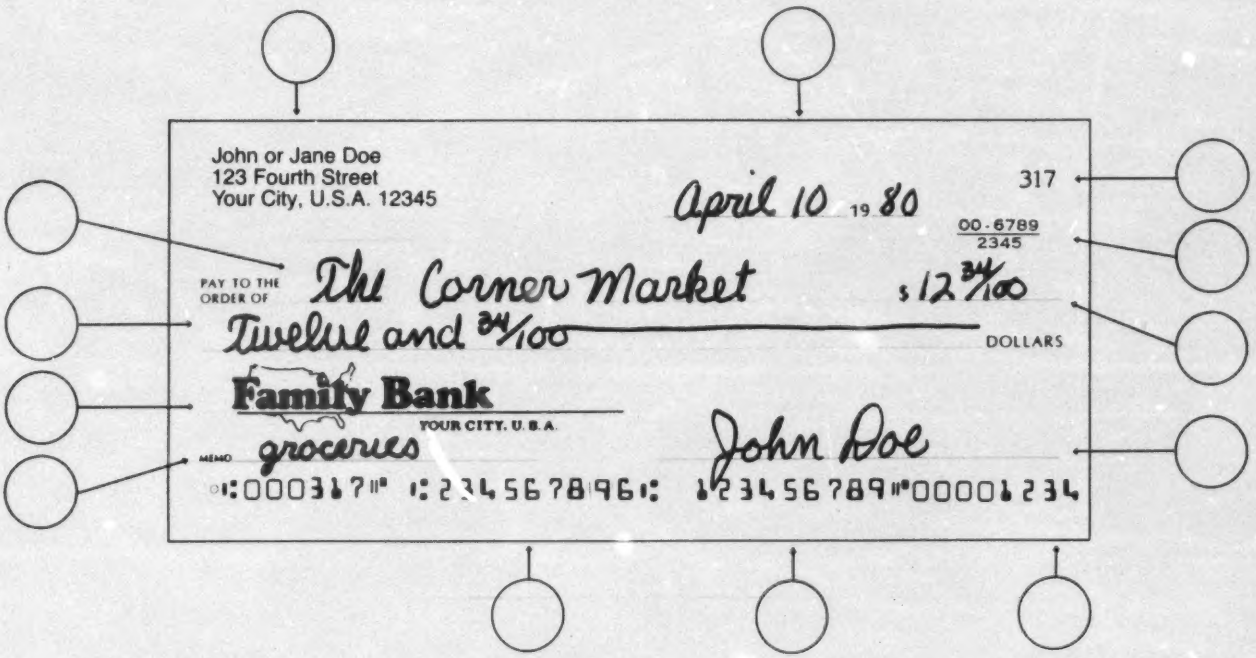
Checkbook Checkup No. 1

Instructions: *Read the names and descriptions of the parts of a check below and then label the parts of this check by writing the correct numbers in the circles.*



1 payer the name and address of the person who has the checking account on which the check is being drawn.

2 payee person or firm to whom the check is made payable.

3 number amount the amount of the check written in numbers.

4 written amount the amount of the check written in words rather than in numbers. If the number amount does not agree with the written amount, it is the written amount that the bank pays.

5 paid amount the exact amount of money drawn from the payer's account. This number appears only on checks the bank has paid.

6 check number the identification number for this particular check. All checks issued to any one payer by a bank are numbered consecutively in the upper right-hand corner.

7 routing numbers the check's zip code. The top two numbers identify the state and the bank on which the check is drawn. The bottom number identifies the Regional Federal Reserve Bank that will handle the check.

8 account number the number that identifies the payer's account.

9 computer routing numbers the check's zip code written in magnetic ink in numbers a computer can read.

10 signature the payer's name written in script (*not* printed) as nearly like the signature on file at the bank as possible.

11 drawee the name of the bank and branch that handles the payer's checking account and on which the check will be "drawn," or paid.

12 memo the payer's record of what the check was written for.

13 date the month, day, and year in which the check was written.

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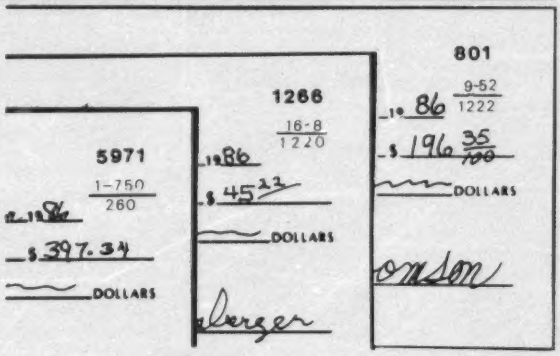
Checkbook Checkup No. 2

Instructions: *A deposit slip, or deposit ticket, must include the depositor's name and account number, the date, the total amount of the deposit, a breakdown of the form(s) in which the deposit is being made (currency, coin, and/or checks), and a detailed listing by routing number of all checks deposited. Fill out the deposit slip given below, assuming that you are depositing $76.00 in currency, $1.58 in coins, and the checks shown here at the right.*



FRONT:

DEPOSIT TICKET

JOHN or JANE DOE
123 Fourth Street
Your City, USA 12345

DATE _____ 19 ____

This deposit is accepted subject to verification and to our rules and regulations

Family Bank
YOUR CITY, U.S.A.

	DOLLARS	CENTS
CURRENCY		
COIN		
CHECKS		
TOTAL FROM OTHER SIDE		
TOTAL		
LESS CASH RECEIVED		
TOTAL		

00-6789
1220

LIST ITEMS SINGLY

IF MORE THAN 2 ITEMS LIST ON REVERSE SIDE

TOTAL ITEMS

⑆122000085⑆1056 6051?170 2⑈4444

BACK:

Please List Each Check Separately by Bank Number

	DOLLARS	CENTS
CURRENCY		
COIN		
Checks by Bank No. 1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
TOTAL Enter on front side.		

CURRENCY COUNT — FOR BANK'S USE ONLY

x 1's	
x 2's	
x 5's	
x 10's	
x 20's	
x 50's	
x 100's	
TOTAL $	

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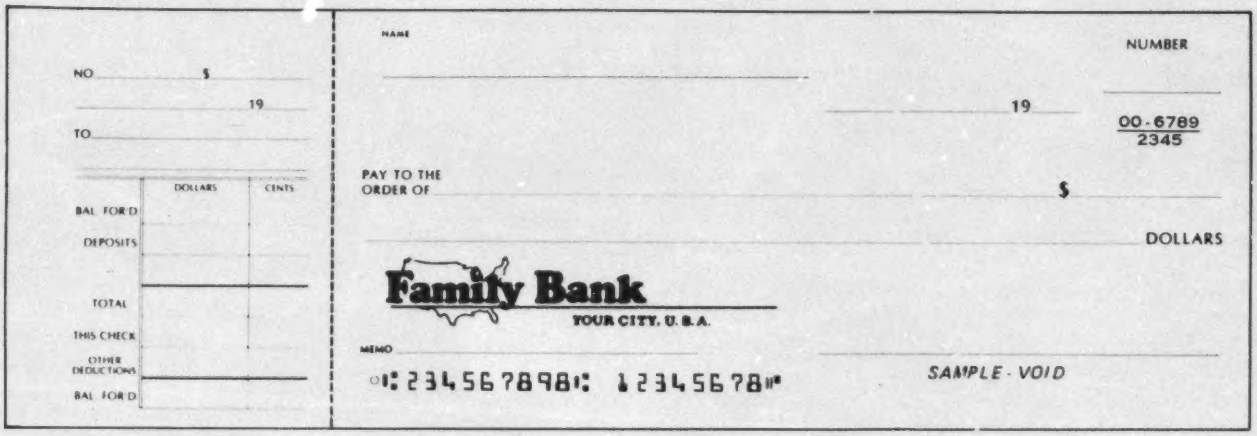
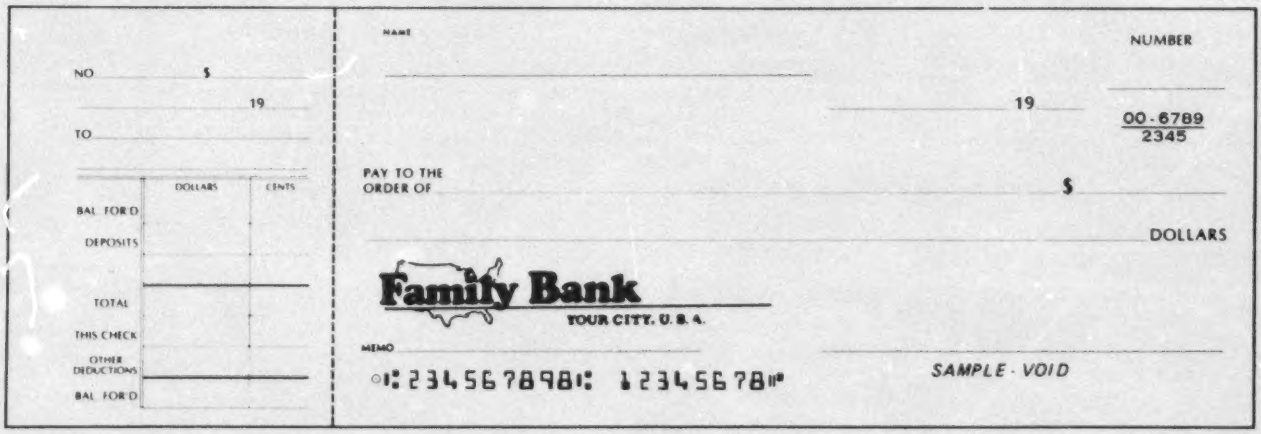
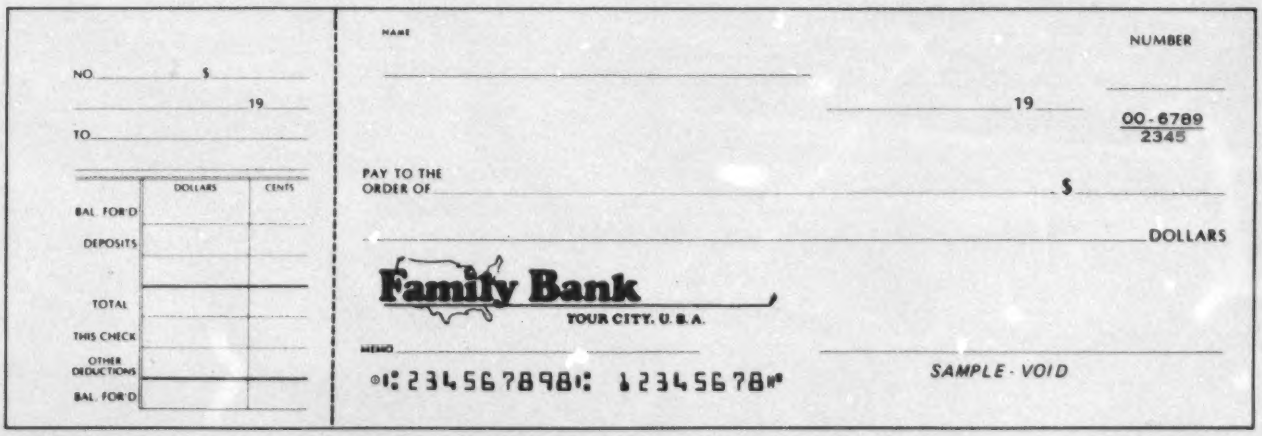
Checkbook Checkup No. 3

Instructions: *Fill out the checks and the check stubs with imaginary amounts as though you were making purchases for your simulated household. Write an assumed starting balance on the "BAL. FOR'D" (balance forward) line of the first stub. Complete the first check, following your teacher's detailed guidelines. Then continue on your own, completing stubs and checks until you arrive at a balance at the end of the third stub.*







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Checkbook Checkup No. 4

Instructions: *On the reverse side or next page of this worksheet is a simulated bank statement and a simulated page from a check register. Follow the instructions given in the form on this side, and determine if there are any errors on the check register. In other words,* ***reconcile the balance.***

How to balance your checkbook with this statement.

Go through your checkbook and check off each check, Automatic Transfer and Automated Teller Transaction listed on this statement. If you have recorded any of these items in your checkbook which are not included on this statement, list these items in the column on the right. Then complete steps 1 through 8 to obtain your checkbook balance.

1. Enter Ending Balance from front of statement.* $_____

2. List any deposits (including transfers) made after the date of this statement.

+ $_____
+ $_____
+ $_____
TOTAL $_____

3. Subtotal. (Add line 1 and line 2.) − $_____

4. Enter total outstanding checks and other withdrawals. − $_____

5. Account balance. (Subtract line 4 from line 3.) − $_____

6. Enter your checkbook balance. $_____

7. Enter Service Charges, if any, from front of statement. (Be sure to enter this charge in your checkbook.) − $_____

8. Enter Interest Payment. (Plus Checking customers only.) + $_____

9. Adjusted checkbook balance. (Subtract line 7 from line 6.) − $_____

Line 9 should balance to Line 5.

If you have a difference after balancing your statement, please check the following:

- Check your addition and subtraction on this statement worksheet.
- Make sure all checks and deposits shown on this statement are correctly listed in your checkbook.
- Recheck your addition and subtraction in your checkbook.
- Make any adjustments found in the above steps to your checkbook balance.

If, after completing the steps above, you have any questions regarding this statement, please contact your branch. If no error is reported within 10 days, the account will be considered correct.

Outstanding checks and other withdrawals:

Number or Date	Amount
TOTAL	

*Plus Checking customers should use the Savings Account Ending Balance.

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PLEASE BE SURE TO DEDUCT ANY PER CHECK CHARGES OR SERVICE CHARGES THAT MAY APPLY TO YOUR ACCOUNT

CHECK NO.	DATE	CHECKS ISSUED TO OR DESCRIPTION OF DEPOSIT	(-) AMOUNT OF CHECK		✓ T	(-) CHECK FEE (IF ANY)	(+) AMOUNT OF DEPOSIT		BALANCE	
									682	91
891	12/1	Property Management	350	00					432	91
892	12/8	Whistleaway Airlines	408	22					24	69
893	12/13	Chipchal Co.	80	56		12/16	526	42	470	55
894	12/15	Gluttonville Gas & Elec	85	69					384	86
895	12/15	Polka-dot Shirt Shop	20	00					364	86
						12/28	100	00	464	86

Account Statement

CHECKING ACCOUNT SUMMARY AS OF 12-28-80

BEGINNING BALANCE	TOTAL DEPOSITS	TOTAL WITHDRAWALS	SERVICE CHARGES	ENDING BALANCE
682.91	1,034.64	1,252.40	10.21	454.94

CHECKING ACCOUNT TRANSACTIONS

DEPOSITS	DATE	AMOUNT
BRANCH DEPOSIT	12-16	526.42
CHECK/DEBIT ITEM REVERSED	12-20	408.22
BRANCH DEPOSIT	12-26	100.00
SERVICE CHARGES		
OVERDRAFT/RETURNED ITEM CHARGES	12-13	6.00
SERVICE CHARGES	12-28	4.21

CHECKS

ITEM	DATE	AMOUNT
0891	12-08	350.00
0892	12-12	408.22
0892	12-19	408.22
0894	12-19	85.96

BALANCES

DATE	BALANCES
12-02	682.91
12-08	332.91
12-12	75.31 –
12-13	326.91
12-16	853.33
12-19	359.15
12-26	459.15
12-28	454.94

1081

Guest Speaker

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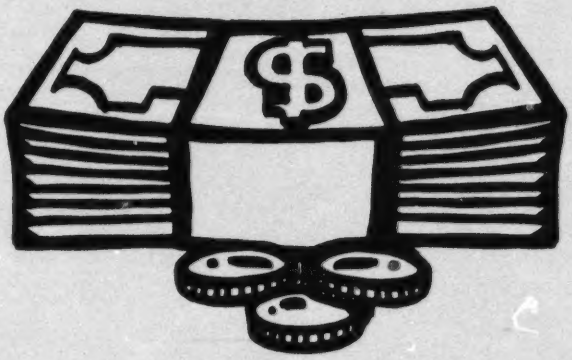
To date the class members have investigated and chosen occupations, established their projected earning power, obtained a "domestic associate" (a roommate or a simulated marriage partner), determined joint goals, and investigated the costs of housing and utilities.

In preparation for planning their proposed purchases of furnishings and transportation, they have been doing some preliminary investigation into the area of credit buying. Now faced with numerous alternatives, the class would appreciate your help in determining reasonable and responsible ways for young adults to establish and use credit. Please cover such matters as:



Banker

Speaker Appointment
Date: Time: Location: Address: Classroom: Liaison: Telephone:

Please check in at office
15 minutes early.

- ☐ **Local credit conditions**
- ☐ **Types of credit contracts**
- ☐ **Techniques for finding a loan source**
- ☐ **Typical repayment schedules & the costs of financing purchases such as housing, furnishings, and autos**
- ☐ **Good reasons for using credit**
- ☐ **How a credit check is done**
- ☐ **What makes one a good credit risk**
- ☐ **Penalties for credit abuse**

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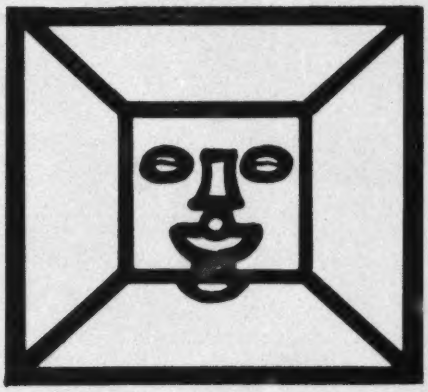
To date the class members have investigated and chosen occupations, established their projected earning power, obtained a "domestic associate" (a roommate or a simulated marriage partner), determined joint goals, obtained a mode of transportation, and secured housing. Having drawn floor plans of their proposed domiciles, the class couples would appreciate your help in creating homes that express their particular lifestyles. Please cover some of the points indicated below:



Interior Decorator

Speaker Appointment
Date: Time: Location: Address: Classroom: Liaison: Telephone:

Please check in at office
15 minutes early.

- ☐ **How to develop an overall decorating scheme**
- ☐ **How to phase purchases, buying necessities first and adding other planned-for items over time**
- ☐ **The details of furniture construction which consumers should know, and how such construction variables influence costs and durability**
- ☐ **Tricks of the trade for getting the most value on a budget**
- ☐ **Do-it-yourself possibilities in terms of painting, wallpapering, laying tiles, building furniture, making slipcovers, etc.**
- ☐ **"Investment" purchases (such as antiques and fine art) vs. purchases that will rapidly depreciate in value**
- ☐ **Times of the year when good buys can be made at sales**
- ☐ **How to bargain with a furniture or appliance dealer**
- ☐ **The advantages of obtaining a decorator's services; how a decorator is paid; money that can be saved in the long run**

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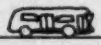
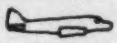
Ways to Go / Costs per Trip

Shopping


Work

Doctor


Vacation

Purchase Expense	Depreciation	Fuel & Oil	Maintenance & Repairs	Taxes/Fees	Storage Parking	Use Charges Tolls/Fares	Insurance	Mode	Miles per Trip	Cost of Typical Round Trip

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Totaling Transportation

Using the illustration above, mark in typical locations to which you expect to travel. Draw connecting lines between starting points and subsequent locations. Above each line mark frequency of travel (for example, "6 × / wk.") and below the line, distance (for example, "12 mi."). On the form below record the data about the various types of trips you expect to make over the year, and determine the cost of transportation.

Type of Trip	Mode of Transportation	Length	Frequency	Cost/ Trip	**Cumulative Cost**

Total Cost of Transportation

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Guest Speaker

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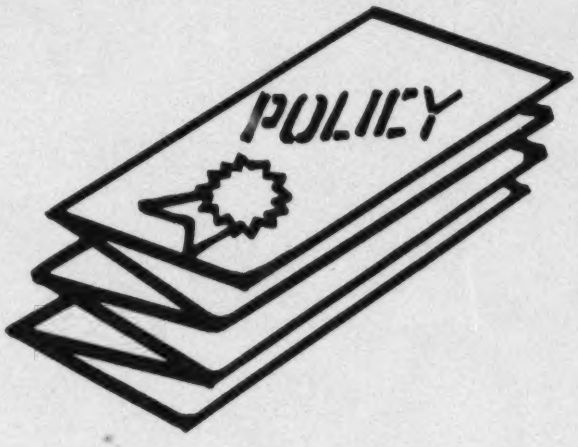
To date the class members have investigated and chosen occupations, established their projected earning power, obtained a "domestic associate" (a roommate or a simulated marriage partner), determined joint goals, obtained a mode of transportation, and secured housing. Most recently, they have identified household furnishings.

Having accumulated "mini-estates," the class couples would appreciate your help in probing the mysteries of property insurance by covering some of the points indicated below:



Insurance Agent

Speaker Appointment
Date: Time: Location: Address: Classroom: Liaison: Telephone:

Please check in at office
15 minutes early.

- ☐ **Types of home insurance: Basic Form, Broad Form, Tenants Form, Comprehensive Form, Special Form**
- ☐ **Aspects of risk: magnitude and likelihood**
- ☐ **Protection clauses of each type of insurance**
- ☐ **"Dwelling"**
- ☐ **"Personal property"**
- ☐ **"Replacement value"**
- ☐ **"Inflation guard" endorsement**
- ☐ **"Deductibles"**
- ☐ **Claim procedures**

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Pick-a-Plan

INSTRUCTIONS: *Consult brochures from insurance carriers (at least 3) that describe their medical protection plans and costs. After reading the information, select five (5) medical conditions typically covered by the policies. Record on this chart how each plan treats the coverage and identify any additional out-of-pocket expenses. Then decide which plan seems to be the best choice for your situation.*

Plan A _____ Name of Insurer **Premium Amt.** _____	Amount of Cost Covered by Plan	Amount of Out-of-pocket Expenses
a. _____	_____	_____
b. _____	_____	_____
c. _____	_____	_____
d. _____	_____	_____
e. _____	_____	_____

Plan B _____ Name of Insurer **Premium Amt.** _____	Amount of Cost Covered by Plan	Amount of Out-of-pocket Expenses
a. _____	_____	_____
b. _____	_____	_____
c. _____	_____	_____
d. _____	_____	_____
e. _____	_____	_____

Plan C _____ Name of Insurer **Premium Amt.** _____	Amount of Cost Covered by Plan	Amount of Out-of-pocket Expenses
a. _____	_____	_____
b. _____	_____	_____
c. _____	_____	_____
d. _____	_____	_____
e. _____	_____	_____

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Dependent Description

Name _____ Relationship _____

Physical Appearance (e.g., size, sex, features): _____

Emotional Disposition (e.g., moods, introvert or extrovert): _____

Typical Reactions to Common Occurences (e.g., at mealtime, at bedtime, when nature calls, when can't have own way):

Guidelines for Our Behavior in Interacting with Our New Dependent:

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Due Unto Your Dependent

Housing needs (room, furnishings, utilities, etc.)

Costs Yr.	Mo.

Nutritional needs (food, beverages, vitamins, etc.)

Costs Yr.	Mo.

Clothing needs (daily wear, inclement weather, special events, etc.)

Costs Yr.	Mo.

Special needs (insurance, care facility, transportation, etc.)

Costs Yr.	Mo.

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FATE
CARD

FATE
CARD

FATE
CARD

FATE
CARD

FATE
CARD

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CARD

FATE
CARD

FATE
CARD

When you were driving down the road today, your car suddenly came to a stop. Your mechanic informs you that the transmission needs a complete overhaul and estimates the cost at $500. You have been thinking about selling the car. Should you spend $500 to fix it in order to sell it as planned? Or should you junk it? *What will you do?*

One of you has been offered a 20% raise to relocate in a city where the cost of living is 10% higher than where you are now. *What will you do?*

One of you gets laid off your job in a big personnel cutback at your company. How will this affect your finances and lifestyle? *What will you do?*

You are having serious trouble with your old heating system. A repairman has given you an estimate of $550 to fix it, but cannot guarantee that it will not break down again. You could buy a new heating system by paying $5,000 cash or by making installment payments of $185 per month for 36 months. *What will you do?*

You went out to do a few errands while your clothes were in the dryer at a laundrymat. When you came back, your clothes were gone. It had been a big load, including most of your summer wardrobe. How much would it cost you to replace those clothes? *What will you do?*

Your roof sprang a leak in the last big rainstorm and completely flooded your living room. Your carpeting and furniture are ruined. How much would it cost you to replace them? Will insurance cover any of the cost? *What will you do?*

You have just found out that a bus that goes right by your house could get you to work and back for $1 per day. This would take you 15 minutes longer each day than it takes you to drive the 30 miles round trip as you have been. Your car gets 15 miles per gallon. *What will you do?*

You have a medical problem that is acting up, causing a lot of discomfort. An operation likely to correct the problem would cost $5,000. Would any of this cost be covered by health insurance? How much? What would be the remaining out-of-pocket cost to you? *What will you do?*

FATE CARD

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You have just won a trip to Europe for two by participating in a TV game show. You think this is the best thing that's ever happened to you until a few hours later when you find out that you will need to shell out $400 in taxes before you can accept the prize. *What will you do?*

Your old aunt Ida has died and left you $5,000. *What will you do with it?*

A good friend has given you a hot tip on a $500 investment that promises to double your money in one month. *What will you do?*

Federal taxes have been cut by 10%. Both you and your partner will receive refund checks. What will your refunds amount to? *What will you do with them?*

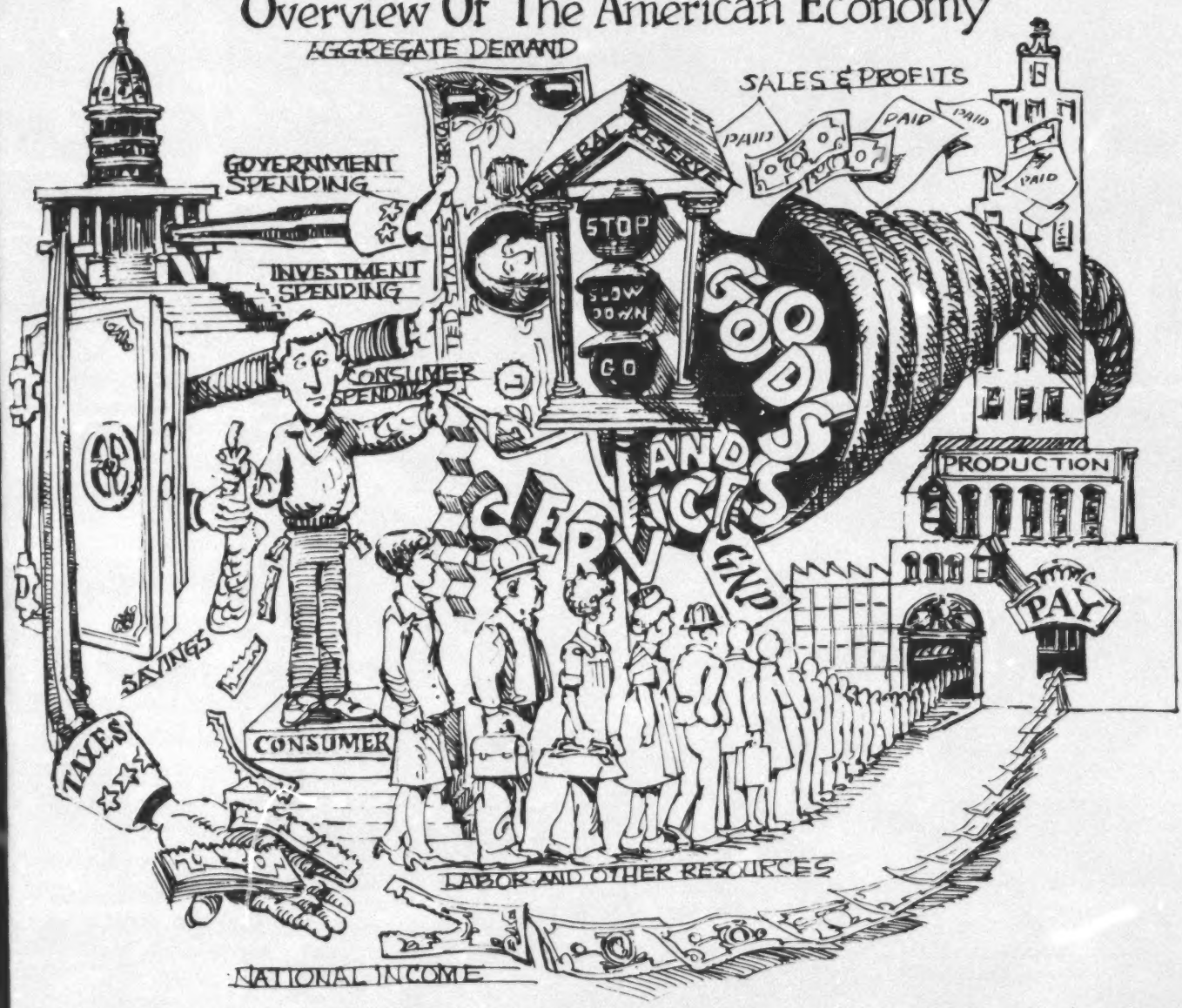
You have been offered an all-expense-paid trip to appear on a nationally recognized talk show. This will involve spending a four-day weekend in your favorite city. It will also involve missing two days of work without pay, and your boss doesn't appreciate your absences. *What will you do?*

Your pedigreed dog has 12 puppies. You could sell them all at once to a breeder for $1,500 and be done with it. But you see plenty of ads in the paper that ask for $250 apiece for the same kind of puppy. You've never tried to sell puppies before. You find out it costs $15 to run an ad in the paper. *What will you do?*

Your employer has acquired a big new contract. She offers you the opportunity to work for eight consecutive weekends at time and a half. These two months happen to fall in the middle of summer, just when you planned to take your vacation. How much extra money would the work mean for you? *What will you do?*

A friend in the military who has been transferred to another city offers you season tickets to the best repertory playhouse in your area at half price. *What will you do?*

Overview Of The American Economy



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